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**REDES RELACIONAIS E A INTERNACIONALIZAÇÃO  
DA ECONOMIA DO TURISMO**

**NETWORK RELATIONSHIPS AND THE  
INTERNATIONALISATION OF THE TOURISM  
ECONOMY**



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**O caso do investimento Português no estrangeiro no  
sector hoteleiro**

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INTERNATIONALISATION OF THE TOURISM  
ECONOMY**

**The case of Portuguese overseas investment in the  
hotel sector**

tese apresentada à Universidade de Aveiro para cumprimento dos requisitos necessários à obtenção do grau de Doutor em Turismo, realizada sob a orientação científica do Professor Doutor Carlos Costa, Professor Associado com Agregação do Departamento de Economia, Gestão e Engenharia Industrial da Universidade de Aveiro

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I dedicate this thesis to Carlos, my parents and my sister. I am very fortunate for their unconditional love and truly grateful for their permanent support and understanding.

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## **palavras-chave**

Internacionalização, redes relacionais, turismo, sector hoteleiro, Portugal, Goa.

## **resumo**

O presente trabalho de investigação analisa a importância das redes formais e informais na internacionalização da economia do turismo, em particular do sector hoteleiro. Para tal baseia-se numa extensa revisão bibliográfica sobre as teorias que explicam o investimento directo no estrangeiro, assim como a abordagem das redes aplicada à internacionalização e o seu enquadramento no sector do turismo. Com base na revisão de literatura, uma série de hipóteses são sugeridas, as quais são testadas na parte empírica da tese através de uma análise às empresas Portuguesas com investimentos no estrangeiro na área da hotelaria até ao final de 2007 ou com projectos em curso. Esta análise baseia-se principalmente em dados obtidos através de entrevistas-questionário realizadas aos responsáveis das empresas. O inquérito obteve 40% de taxa de resposta, contendo dados relativos às características das empresas e de cada um dos projectos realizados no estrangeiro. Com base nestes resultados são sugeridas uma série de implicações, assim como algumas recomendações para investigações futuras. Adicionalmente, e de forma a investigar mercados com diferentes realidades sócio-culturais, políticas e cultura de negócios, foi analisado o caso de Goa, através de trabalho de campo que envolveu entrevistas informais e semi-estruturadas a entidades-chave ligadas ao sector do turismo e aos hoteleiros de unidades de qualidade média-alta. Foi identificado um conjunto de oportunidades e desafios para as empresas Portuguesas. Ao usar uma abordagem qualitativa e quantitativa, esta tese contribui para a compreensão da natureza, determinantes e dimensões do processo de internacionalização do sector do turismo.

**keywords**

Internationalisation, relational networks, tourism, hotel sector, Portugal, Goa

**abstract**

This thesis examines the importance of formal and informal networks in the internationalisation of the tourism economy, particularly the hotel sector. For this purpose, the study is based on an extensive literature review on the theories that explain foreign direct investment as well as the network approach applied to the internationalisation process and to the tourism sector. Based on the literature review, a number of hypotheses are suggested, which are tested in the empirical part of the thesis through an analysis of the Portuguese companies with investments abroad in the hotel sector. The population studied consisted of Portuguese companies that possessed/managed at least one hotel establishment abroad until the end of 2007 or companies that were starting their internationalisation process in the hotel sector. This analysis is based mainly on data obtained through interview-questionnaires aimed at chief executives of each company. The survey obtained 40 percent response rate, containing data on the characteristics of the companies and of each project abroad. Based on these results a number of implications are suggested, as well as some recommendations for future research.

Additionally, in order to investigate psychic distant markets, it was examined the case of Goa, through fieldwork research that involved informal and semi-structured interviews to key stakeholders in the tourism sector and to managers/owners of medium-range and upscale hotels. A number of opportunities and challenges for Portuguese companies were then identified. Using both qualitative and quantitative approaches, this thesis aimed at contributing to a better understanding of the nature, determinants and dimensions of internationalisation in the tourism sector.



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# List of abbreviations

## A

<b>ADB</b>	Asian Development Bank
<b>AHETA</b>	<i>Associação dos Hotéis e Empreendimentos Turísticos do Algarve</i> (Algarve Hotel and Tourism Businesses Association)
<b>AHP</b>	<i>Associação da Hotelaria de Portugal</i> (Association of Hotels of Portugal)
<b>AICEP</b>	<i>Agência para o Investimento e Comércio Externo de Portugal</i> (Business Development Agency)
<b>APHORT</b>	<i>Associação Portuguesa de Hotelaria, Restauração e Turismo</i> (Portuguese Association of Hotels, Restaurants and Tourism)
<b>APEC</b>	Asia-Pacific Economic Cooperation

## B

<b>BJP</b>	<i>Bharatiya Janata Party</i>
<b>BRIC</b>	Brazil, Russia, Índia and China

## C

<b>CEO</b>	Chief Executive Officer
<b>CES</b>	Consulting Engineering Services
<b>CCAT</b>	Citizens Concerned about Tourism
<b>CRG</b>	Children's Rights in Goa
<b>CSA</b>	Country-Specific Advantages
<b>CTP</b>	<i>Confederação do Turismo Português</i> (Portuguese Tourism Confederation)

## D

<b>DPSEGG</b>	Directorate of Planning, Statistics and Evaluation of the Government of Goa
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## E

<b>EC</b>	European Commission
<b>EEC</b>	European Economic Community
<b>ESG</b>	Entertainment Society of Goa
<b>EU</b>	European Union

## F

<b>FDI</b>	Foreign Direct Investment
<b>FEMA</b>	Foreign Exchange Management Act
<b>FHRAI</b>	Federation of Hotels and Restaurants Association of India
<b>FIPB</b>	Foreign Investment Promotion Board
<b>FIT</b>	Free independent traveller
<b>FPI</b>	Foreign Portfolio Investment
<b>FSA</b>	Firm-Specific Advantages
<b>FYP</b>	Five Year Plan

<b>GATT</b>	General Agreement on Tariffs and Trade	<b>G</b>
<b>GATS</b>	General Agreement on Tariffs and Services	
<b>GCCI</b>	Goa Chamber of Commerce and Industry	
<b>GDP</b>	Gross Domestic Product	
<b>GDS</b>	Global Distribution Systems	
<b>GHRSSIDC</b>	Goa Handicrafts Rural and Small Scale Industries Development Corporation	
<b>GOI</b>	Government of India	
<b>GTD</b>	Goa Tourism Department	
<b>GTDC</b>	Goa Tourism Development Corporation	
<b>HCIMA</b>	Hotel and Catering International Management Association	<b>H</b>
<b>HO</b>	Heckscher-Ohlin	
<b>HRACC</b>	Hotel and Restaurant Approval and Classification Committee	
<b>HRAI(W)</b>	Hotel and Restaurant Association of India (Western Region)	
<b>ICT</b>	Information and communication technology	<b>I</b>
<b>IDP</b>	Investment Development Path	
<b>I-M</b>	Innovation-related internationalisation models	
<b>IMF</b>	International Monetary Fund	
<b>IMPM</b>	Industrial Marketing and Purchasing Model	
<b>INR</b>	Indian Rupees	
<b>JGF</b>	<i>Jagrut Goenkaranchi Fauz</i> (Vigilant Goan's Army)	<b>J</b>
<b>MNC</b>	Multinational corporation	<b>M</b>
<b>MNE</b>	Multinational enterprise	
<b>n.a.</b>	Not available	<b>N</b>
<b>NAFTA</b>	North American Free Trade Agreement	
<b>NGO</b>	Non-Governmental Organisation	
<b>NR</b>	No response	
<b>OECD</b>	Organisation for Economic Cooperation and Development	<b>O</b>
<b>OLI</b>	Ownership, Location and Internalisation	
<b>PGA</b>	<i>Portugália</i> Airlines	<b>P</b>
<b>PSAC</b>	Portuguese-speaking African Countries	

<b>RBI</b>	Reserve Bank of India	<b>R</b>
<b>SATA</b>	<i>Sociedade de Transportes Aéreos Açoreanos</i> (Azores Airline Company)	<b>S</b>
<b>SME</b>	Small and Medium Enterprise	
<b>SPSS</b>	Statistical Package for Social Sciences	
<b>Sq. ft</b>	Square feet	
<b>TAAI</b>	Travel Agents Association of India	<b>T</b>
<b>TAP</b>	<i>Transportadora Aérea Portuguesa</i> (Portuguese Airline Company)	
<b>TCI</b>	Travel Corporation of India	
<b>TCPD</b>	Town and Country Planning Department	
<b>TECS</b>	Tata Economic Consultancy Services	
<b>TERI</b>	Tata Energy Research Institute	
<b>TNC</b>	Transnational corporation	
<b>TTAG</b>	Travel and Tourism Association of Goa	
<b>UK</b>	United Kingdom	<b>U</b>
<b>U-M</b>	Uppsala internationalisation model	
<b>UN</b>	United Nations	
<b>UNCTAD</b>	United Nations Conference on Trade and Development	
<b>UNDP</b>	United Nations Development Programme	
<b>UNESC</b>	United Nations Economic and Development Council	
<b>UNWTO</b>	World Tourism Organisation	
<b>US(A)</b>	United States (of America)	
<b>WB</b>	World Bank	<b>W</b>
<b>WTO</b>	World Trade Organisation	



# glossary

- business network** » is a set of connected relationships between actors controlling business activities (Forsgren and Johanson 1992).
- cooperative** » is a society that has as its objectives the promotion of the interests of its members in accordance with the principles of cooperation. It is a voluntary association of ten or more members residing or working in the same locality, who join together on the basis of equality for the fulfilment of their economic or business interest. Its primary motive is service to the members rather than making profits. (Government of India, n.d. a)
- crore** » is in widespread use today in Indian English, and it represents ten million. The Indian numbering system is based on a unique grouping of two decimal places, rather than the three decimal places commonplace in the West.
- foreign direct investment** » reflects the objective of obtaining a lasting interest by a resident entity in one economy in an entity resident in another economy. The lasting interest implies the existence of a long-term relationship between the direct investor and the enterprise and a significant degree of influence on the management of the enterprise. The numerical guideline of ownership of 10 percent of ordinary shares or voting stock determines the existence of a direct investment relationship (OECD, 1996, pp. 7-8). The management dimension distinguishes foreign direct investments from portfolio investments in stocks, bonds and other financial instruments.
- internationalisation** » is a process of increasing involvement in international operations (Welch and Luostarinen 1988).  
» is a process by which firms both increase their awareness of the direct and indirect influences of international transactions on their future, and establish and conduct transactions with other countries (Beamish, 1990).  
» is the process of developing networks of business relationships in other countries through three stages (extension, penetration and integration) (McDougall, Oviatt, & Shrader, 2003).
- joint Hindu family business** » is a form of organisation, in existence only in some parts of India, which has ownership in the hands of all members of a Hindu undivided family, under the control of the head of the family. It comes into existence by the operation of Hindu law and not out of contract. The membership of this form of business is the result of status arising from the birth in the family and its legality is not affected by the minority. There is no legal limit to the maximum number of members. (Government of India, n.d. a)
- lakh** » is in widespread use today in Indian English, and it represents one hundred thousand. The Indian numbering system is based on a unique grouping of two decimal places, rather than the three decimal places commonplace in the West.

**multinational enterprises**

- » are firms with affiliates in more than one country (Blonigen, 2008).
- » are firms investing in more than one country and supplying more than financial capital; for example management, technology or marketing expertise (Weiss, 1991).
- » are enterprises that control and manage production establishments located in at least two countries (Caves, 1996).
- » are enterprises that engage in foreign direct investment and own or control value-adding activities in more than one country (Dunning, 1992).
- » are firms that have the power to coordinate and control operations in more than one country, even if it does not own them (Dicken, 1998).
- » are firms that invest in value-adding activities outside its domestic market or starts to exercise control over such activities outside its domestic market (Johnson & Turner, 2003).

***panchayat***

- » is a South Asian political system mainly in India, Pakistan and Nepal. It literally means assembly (*yat*) of five (*panch*) wise and respected elders chosen and accepted by the village community.

**partnership firm**

- » is a relation between two or more persons (the maximum number can be 10 in case of banking business and 20 in all other types of business), who have agreed to share the profits of a business carried on by all of them or any of them acting for all. In the absence of any agreement to the contrary, all partners have a right to participate in the activities of the business, and their liability is unlimited. (Government of India, n.d. a)

**private limited company**

- » is a popular form of organisation that has a minimum of two and a maximum of fifty members, who have limited liability. The transfer of shares is limited to its members, who are not allowed to invite the general public to subscribe to its shares or debentures. It has an independent legal existence. The Indian Companies Act, 1956 contains the provisions regarding the legal formalities for setting up of a private limited company. (Government of India, n.d. a)

**public limited company**

- » is a voluntary association of a minimum of seven members, which is incorporated and, has a separate legal existence. The liability of its members is limited to the extent of capital invested. The formation, working and winding up, and all other activities are regulated by the laws, rules and regulations under the Companies Act 1956. (Government of India, n.d. a)

**(sole) proprietorship**

- » is a form of business that is owned and operated by one individual. The proprietor is personally liable for all debts and claims against the business. From taxation point of view also, the owner and his business are one entity, which means that business profits are reported and taxed on the owner's personal tax return. (Government of India, n.d. a)

***taluka***

- » is an administrative unit in India, smaller than a district and constituted by a number of villages. Goa has eleven *talukas* (Tiswadi, Mormugao, Bardez, Salcete, Ponda, Quepem, Sanguem, Canacona, Satari, Bicholim and Pernem).

**transnational enterprises or corporations**

- » are firms with affiliates in more than one country (Blonigen, 2008).
- » are firms investing in more than one country and supplying more than financial capital; for example management, technology or marketing expertise (Weiss, 1991).

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1

# introduction



## 1.1 Introduction

This chapter presents the research project and provides an overview of its importance to tourism practitioners and researchers. It discusses the relevance of the topic and the interest and scope of the study, with emphasis on the importance of network relationships in the internationalisation process (section 1.2). Subsequently, the objectives and methodology of this study will be briefly presented (section 1.3). The chapter then concludes with a description of the structure of the dissertation (section 1.4).

## 1.2 Interest and scope of the study

Tourism is today the world's largest commercial service sector industry. Over the past six decades, the travel and tourism industry has experienced continued development and diversification to become one of the largest and fastest growing economic sectors in the world. Its importance is particularly visible when considering the major indicators on the demand side, such as international tourism arrivals and receipts. According to data from the World Tourism Organisation (UNWTO), international tourism arrivals exceeded 920 million in 2008 (UNWTO, 2009) and are estimated to reach 1.6 billion in 2020 (UNWTO, 1998).

While in 1950 the top 15 destinations absorbed 98 percent of all international tourist arrivals, in 1970 the proportion was 75 percent, and this fell to 57 percent in 2007, reflecting the emergence of new destinations, many of them in developing countries (UNWTO, 2008). Over time, more and more destinations have opened up and invested in tourism development, turning modern tourism into a key driver for socio-economic progress. The generalised expansion of the tourism sector, allied to an increasing dispersion of tourists and diversification of destinations, have created new challenges to enterprises that are now striving to have an international presence and to be competitive in the global market.

The current external environment, characterised by the interdependence of economies, the globalisation of markets, and the deregulation and globalisation of competition, has created new challenges to Portuguese tourism companies, but also opened up new opportunities that pushed companies to adopt internationalisation strategies. The internationalisation of





the Portuguese economy and companies is a very contemporary and relevant issue, having acquired in recent years a projection and dimension that have never accomplished before.

The Portuguese tourism industry presents a fragmented structure, which consists mostly of small and micro enterprises (Costa, 2005), similarly to what happens in many other European countries (Buhalis & Peters, 2005). Globalisation poses a big challenge to these enterprises that must strive for increasing competitiveness. One approach, which helps enterprises and destinations to cope with their internal limitations and challenges posed by the transformations occurring within the global market, is the development of networks and partnerships. By cooperating with other tourism industry partners, these enterprises are able to develop strategic positioning, extend competences, identify opportunities and threats, and build up capacity to operate in a competitive tourism environment (Breda, Costa, & Costa, 2004, 2006; Costa, Breda, Costa, & Miguéns, 2008; Williams, 1999).

Indeed, increasing competitiveness and competition requires a concentration of resources on core competencies and an articulation of the value chain in order to enhance complementarity and synergies, which for most enterprises are only within reach through cooperation relationships (Magriço, 2003). Increasingly, international operations and the internationalisation of companies require the establishment of partnerships, agreements or other forms of relationships that allow resource leverage. Cooperation is therefore crucial for the affirmation of Portuguese firms in international markets, allowing to assimilate skills, gain advantages of proximity, enhance international reputation, coordinate skills and reduce dimensional barriers in the internationalisation process (Simões, 1997).

Through the integration in business networks or the establishment of business relationships it is easier to compete, both domestic and internationally, to reach economies of scale and dimension, and to generate synergies (UNWTO, 2001). Cooperation and partnerships thus play an important role in the internationalisation process. Through such alliances, enterprises can avoid many of the location-specific risks due to ‘foreignness’ and inadequate knowledge of the operating environment, as their local partners tend to compensate these shortcomings (Etamad & Wright, 2003).



Hassid (2002) shows that the preferred mechanism for small companies in the service sector for the acquisition of internationalisation-related skills is through the promotion of networking. It is therefore important to develop the distribution and market penetration through formal and informal links with customers, distributors, agents and other sources of information in destination markets. The depth of these relationships and ties has a positive impact on the actions and results (Etemad, 2004).

The network perspective in internationalisation provides an interesting opportunity to understand entry into foreign markets by young and/or resource-constrained small business (Breda, Costa, & Costa, 2008). It also posits that internationalisation is a process that takes place through networks of relationships. Social embeddedness of the network play an important role in binding individual firms or entrepreneurs into value adding relationships, which enable them to minimise or overcome their disadvantages of smallness and isolation, as well as overcome problems associated with unknown markets and psychic distance (Brown & McNaughton, 2003; Etemad, 2004).

Tourism is one of the few Portuguese sectors that are competitive at the global level, but has received very little attention on the part of researchers into international business. Indeed, despite being a significant phenomenon in recent years, the internationalisation of the tourism sector has not been analysed in the depth that it deserves.

### 1.3 Objectives and methodology

The general objective of this thesis is to verify whether concepts derived from the network theory can explain the international business development employed by firms in the hotel sector. Particularly, it intends to understand Portuguese firms' approach to internationalisation, mainly in terms of firm's decision to internationalise, foreign market selection and mode of entry, and how network relationships influence it. More specifically it aims to:

- (1) analyse the internationalisation behaviour of enterprises, with special attention given to those based on service industries, particularly to determine key factors that influence market selection and entry mode choice in international companies' ventures.

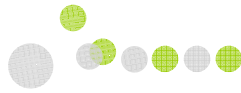


- (2) value the importance of network relationships in the internationalisation process, particularly in the decision-making process of hotel companies for international entry and expansion.
- (3) bring empirical evidence on how Portuguese tourism enterprises internationalise, namely to determine if they rely on partnerships while venturing in international markets, if these relationships are important in overcoming limited market knowledge for international expansion and what kind of constraints do they face while investing in other countries.
- (4) explore Goa as an important international tourist destination and a potential market for Portuguese investment, with different business, cultural and political settings, and characterise the structure of its hotel sector.
- (5) determine whether Portuguese tourism enterprises are interested in engaging in the hotel sector in Goa and if entrepreneurs in Goa are willing to establish business relationships with Portuguese companies.

In order to fulfil the aims of the thesis, and following the literature review on internationalisation and networks and the hypotheses formulation, it was necessary to engage in two different, but complementary, empirical studies: one in Goa and another one in Portugal. For this reason, and having in mind the objectives of each study, different approaches were followed in order to collect primary data, as detailed in chapter 5.

In Goa the use of multi-methods resulted in a clearer understanding of the nature and extent of tourism development. Several semi-structured interviews were conducted to public bodies, trade associations and Portuguese representations. An interview-questionnaire was used to survey the mid-range and upscale hotels to have a clear understanding of the hotel sector in this destination, and identify possible investment opportunities. Fieldwork conducted in Portugal, aimed at Portuguese companies investing abroad in the hotel sector, used the interview-questionnaire as the preferred technique.

After data collection, the next step involved its analysis in order to test the research hypotheses. The analysis was based on data obtained from both secondary and primary sources. Qualitative information was subjected to a simple content analysis, while



quantitative information was processed using the Statistical Package for Social Sciences (SPSS). A variety of statistical procedures was then used to test hypotheses.

#### 1.4 Structure of the thesis

The thesis is composed of two parts. The first, which includes three chapters in addition to this one, lays the theoretical foundation of the study, providing a framework on tourism, internationalisation and networks. The second part of the thesis elucidates the empirical analysis, presenting the research methodology and the results of the study.

This chapter has presented a brief overview of the background to the study in light of the relevance of the topic, its research objectives and methodology. The second chapter addresses globalisation in order to establish a context for understanding the contemporary tourism sector. It explores the global character of tourism businesses, and the global expansion of the tourism system, both in terms of demand and supply, giving a special focus on the internationalisation of the hotel industry.

Chapter 3 reviews the relevant literature concerning the internationalisation of firms, aiming to introduce and confront the different schools of economic thought, and examines the importance and limitations of the different approaches to internationalisation. It also demonstrates how enterprises internationalise, what steps they take, which factors determine this process and what problems they face. In addition, it presents some specificities of the internationalisation of service firms, with a special focus on the tourism sector.

Chapter 4 provides a literature review on networks and their importance for business, in particular to internationalisation. It starts by presenting the historical development of the network theory, the types of networks and actors, showing the reasons for companies participating in networks, and the benefits and drawbacks from network membership. Networks in the context of internationalisation are then outlined, discussing how internationalisation process can advance as a result of having relationships with other stakeholders. Thereafter, it is examined networks in the tourism sector, showing the importance of this approach.



Chapter 5 discusses the way in which the research process was carried out. It introduces the rationale of the study and the research framework, providing the main objectives and research questions, and describing the theoretical framework, including the hypotheses. The research design, focusing on the main steps followed regarding data collection and analysis, is also presented. After discussing and justifying the methodological choices for the research, the next chapters describe the empirical results.

Exploring an important international tourism destination and a potential market for Portuguese investment, with different cultural, political and business settings, is the concern of chapter 6. The chapter provides a characterisation of Goa as a tourism destination, by presenting the evolution of its tourism industry, namely the tourism administrative structure and policies, the composition of its tourist demand and the impacts generated by this activity. It also presents evidence on the accommodation sector, giving special emphasis on the mid-range and upscale hotels, its guests and the firms that own them. The importance of business networks and partnerships, and opportunities and challenges for Portuguese companies, are also investigated.

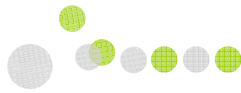
Chapter 7 presents and interprets the results of the study aimed at the Portuguese firms investing abroad in the hotel sector. It starts with a brief description of Portuguese economy, the analysis of the evolution of outward foreign direct investment (FDI) and a short survey of existing empirical studies. The research concentrates on the tourism industry and provides a general overview of firms investing abroad, as well as providing the results of the research on the internationalisation in the hotel sector. The aim is to confront the Portuguese case with the network theory.

Finally, in the last chapter, the main findings and the overall conclusions of the thesis are discussed. It also provides a review of the theoretical and managerial implications of the study, and finalises with a discussion on its limitations and suggestions for future research.

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2

# tourism and globalisation



## 2.1 Introduction

This chapter examines the topic of globalisation in order to establish a context for understanding the contemporary tourism sector. It begins with a contextualisation of the international business environment in face of globalisation, and briefly presents the evolution of the international trade and foreign direct investment (section 2.2). Section 2.3 relates the tourism and hospitality with the global trends, while the following section deals with the dynamics of the tourism industry, both at the demand and supply levels (section 2.4). Given that the supply component of the tourism industry is of surmount importance for the activity, especially the accommodation sector, section 2.5 devotes special attention to the hotel industry, showing the developments in terms of international investment and the emergence of multinational companies.

## 2.2 Globalisation and the international business environment

The degree to which business is internationalised is a function of changes and developments in the world economy, being central to these developments the process of globalisation (Johnson & Turner, 2003). At the end of the twentieth century, globalisation became a buzzword, both in public and scholarly debates. Although this phenomenon is not new, with some scholars pointing to the sixteenth century Europe as the original source of globalisation, only in the last decades it became prominent. The topic is vast, diverse and multifaceted, with different analysts approaching the topic in diverse ways. Although it encompasses many dimensions (Table 2.1), for the purpose of this chapter only the economic one will be addressed<sup>1</sup>.

For most economists globalisation primarily means a process of increasing integration and interdependence of national economies through trade in goods and services, cross-border investments and financial flows (Smeral, 1998), but it involves also the exchange and flow of knowledge, values and images, as well as people, on a global scale<sup>2</sup> (Macleod, 2004). This integration has been boosted by technological progress, in particular in transport and communications, allowing groups, institutions and countries connecting in new ways.

---

<sup>1</sup> The literature spawned by the topic of globalisation is far too extensive to attempt a survey of its major scholars and the divergent research lines. For a review on the impacts of globalisation see Scott (1997) and Scholte (2000).

<sup>2</sup> Globalisation can be viewed as synonymous of internationalisation, liberalisation, universalisation, modernisation or Westernisation, or deterritorialisation (Scholte, 2000).



The most exposed agents of globalisation are multinational corporations. Multinationals emerged before the World War I, however this first wave of global economic trade and financial integration was interrupted by the Great Depression of the 1930s and the World War II (Köhler, 2003). The increase of multinationals is thus largely a post-World War II phenomenon, which gave globalisation a new impetus (Lechner & Boli, 2004). The willingness to resume international cooperation after World War II resulted in a second great wave of global economic integration.

Table 2.1 – Dimensions of globalisation

economic dimension	political dimension
Globalisation is the process whereby the world economies are becoming increasingly integrated and interdependent, market-oriented approaches to development are spreading, the notion of state provision of privatisation and deregulation are being withdrawn, trade and investment are being liberalised, and increased penetration of transnational corporations in life is being encouraged.	Globalisation is the new process of shifting the power from national governments, in directing and influencing their economies, to global institutions. In order to survive, national governments that can no longer manage their national economies must increasingly manage national politics by adapting them to the pressures of transnational market forces.
technological dimension	social dimension
Globalisation is the process of rapid innovation and increasing inter-connectivity, particularly for information and communication services, and biotechnologies. This is the process in which knowledge is the most important factor determining the standard of living, more than capital or labour.	Globalisation is the process of incorporating people into a single world society. The world is becoming a 'global village'.
cultural dimension	environmental dimension
Globalisation is the process of increasing homogeneity of lifestyles and aspirations via media, TV, films, tourism, etc., combined with the rapid spread of different views and greater opportunities for marginalised voices to be heard.	Globalisation is the process of increasing inter-linkages between ecosystems, accelerating biological invasions, simplifying and homogenising natural systems, and intensifying pressure on global commons.

Source: Saez (2004)

In the 1950s and 1960s, multinationals were synonymous with American corporations because of the dominance of the US economy at that time. In the following decades, however, Europe and Japan soon started to challenge the US dominance (Ernst & Ozawa, 2002). More recently, the new rapidly industrialising economies have become homes for multinationals as well, thus improving the prospects for developing countries to catch up





economically with industrialised nations (Gundlach & Nunnenkamp, 1998). Although the transnational corporate economy has been ‘flattened’, multinationals from the developed world are still dominant (Ernst & Ozawa, 2002). In 2005, all companies but four of the top 50 multinationals were from the European Union, Japan and the United States (UNCTAD, 2008a).

According to Dunning (2000), the transformations that have been taking place in the society since the 1970s have produced a profound impact on both the nature and composition of the global economic activity. These are mostly driven by the knowledge economy, alliances and cooperative ventures, liberalisation, and the emergence of new major economic players in the world economy. The worldwide deregulation of financial markets and other business services in the 1980s, of which the Uruguay Round is a milestone, had also contributed to boost international trade and investment.

Multilateral international institutions, such as the World Trade Organisation (WTO), General Agreement on Tariffs and Services (GATS), International Monetary Fund (IMF), the World Bank, Organisation for Economic Cooperation and Development (OECD), United Nations’ agencies and regional development banks have been actively involved in promoting and facilitating balanced growth of trade by encouraging the removal restrictions, but also interacting with, and assisting, the national economies in dealing with the pressures of globalisation (Graham, 1997). Regional integrating schemes, such as the European Union (EU), the North American Free Trade Agreement (NAFTA) and the Asia-Pacific Economic Cooperation (APEC), are becoming prominent in commercial decisions and have prompted a shift to a more outward-looking model of economic development and away from traditional import-substituting commercial frameworks (Johnson & Turner, 2003).

Degrees of international economic integration can be located on a continuum between globalisation, or ‘borderless world’ as portrayed by Ohmae (Ohmae, 1996, 2001), and fragmentation, characterised by continuing barriers to trade and commerce (Ernst & Ozawa, 2002; Johnson & Turner, 2003). As the economy becomes more internationalised, individual nations move towards the globalisation end.



Trade statistics have been usually employed to measure the extent and magnitude of globalisation, however, this indicator misses the structural characteristics and dynamics of today's globalisation, in which multinationals play a dominant role in economic integration (Ernst & Ozawa, 2002). According to Johnson and Turner (2003), the measurement of globalisation needs indicators that are able to quantify linkages between countries and between and within firms. For this reason, they developed three interdependence dimensions of globalisation: (a) scope – the extent to which international economic integration is truly global; (b) intensity – the depth and embeddedness and extensiveness of the integration; and (c) sensitivity – the degree to which events in one part of the global system transmit themselves to other parts of the system (Johnson & Turner, 2003, p. 12). Although the last two dimensions are more difficult to measure, the first one can be determined by the economic growth, good and service exports and FDI.

Regarding economic growth, major emerging markets, especially China and India, have become the engine of world's growth. Despite the economic crisis in 2009, which prompted a decline in growth rates, with major economies even experiencing a recession, these two countries keep attaining high growth rates (Figure 2.1). Since mid 1990s, developing economies are growing well above the world average and at a fast pace. The developed economies, on the contrary, have presented sluggish growth rates and, although it is expected that the world economy will pick up again soon, this tendency will remain.

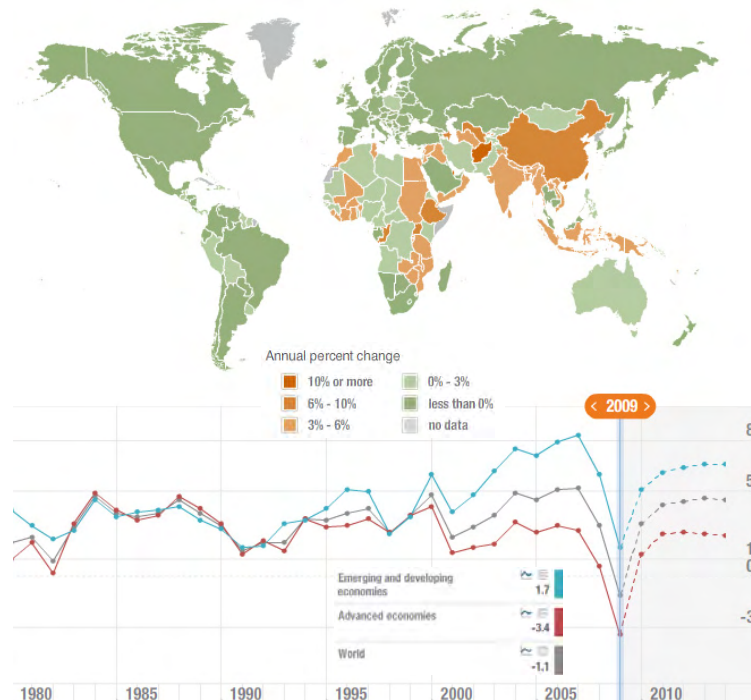


Figure 2.1 – Real GDP growth

Source: IMF (2009)

The world's economies have also developed both in trade and investment. Since 1955 that the volume of the world trade has grown much faster than the world economy as a whole, however, the gains of trade have been unevenly distributed, mostly benefiting Western Europe and North America (Figure 2.2.). The bigger regional service exporter has always been Western Europe, however its share has been declining over time. A few Asian countries, on the other hand, have exhibited remarkable increases in the share of world trade, mostly the economies that aimed at export-led growth, such as Japan, South Korea and China. Since the 1980s, Asian exports grew 8.6 percent annually, above the growth of world exports (Johnson & Turner, 2003).

Services have become increasingly important international trade transactions. In 2007, the value of service exports was around 24 percent of world merchandise exports compared to 18 percent in 1990 (UNCTAD, 2008b). The growing role of services reflects a structural shift in many economies from agriculture and industry towards the tertiary sector (Johnson & Turner, 2003).

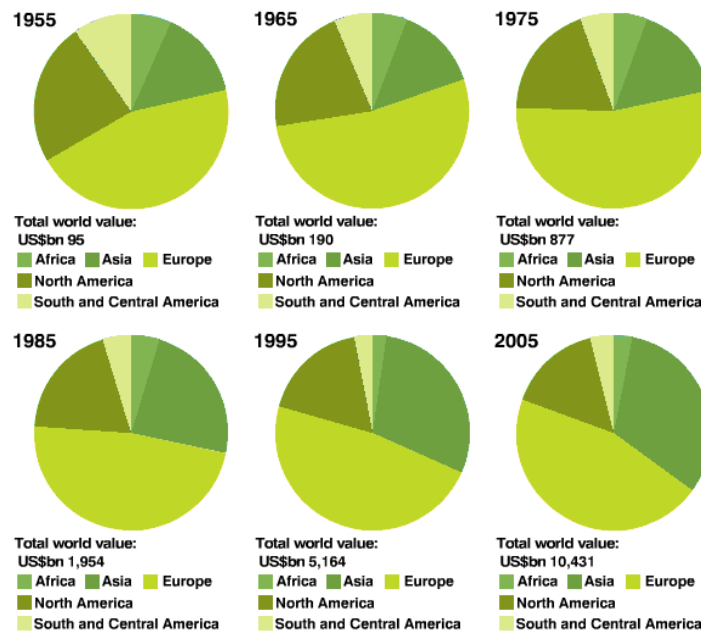


Figure 2.2 – Changing regional composition of merchandise trade exports

Source: UNCTAD (2008b)

In addition to the free movement of goods, there has also been a dramatic increase in the flows of capital around the world. Over the last 30 years, foreign direct investment grew even more rapidly than trade, with flows rising steadily, but experiencing some declines in the early 1980s, 1990s and 2000s. Despite this growth, the value of FDI flows is still significantly below the level of total world exports. In 2008, world FDI outflows reached 2 trillion US dollars and exports totalled 16 trillion US dollars.

These capital flows are highly concentrated among developed countries and a few developing countries (Figure 2.3). Nonetheless, over time the share of foreign investment has been growing in developing countries (Collins, 1998). This expansion into the ‘global South’ indicates increasing global economic integration despite the concentration of the foreign direct investment in just a few developing nations (UNCTAD, 2008a). The disaggregation of developing country FDI demonstrates its domination by East and Southeast Asia, especially China, and Latin America, particularly Brazil.

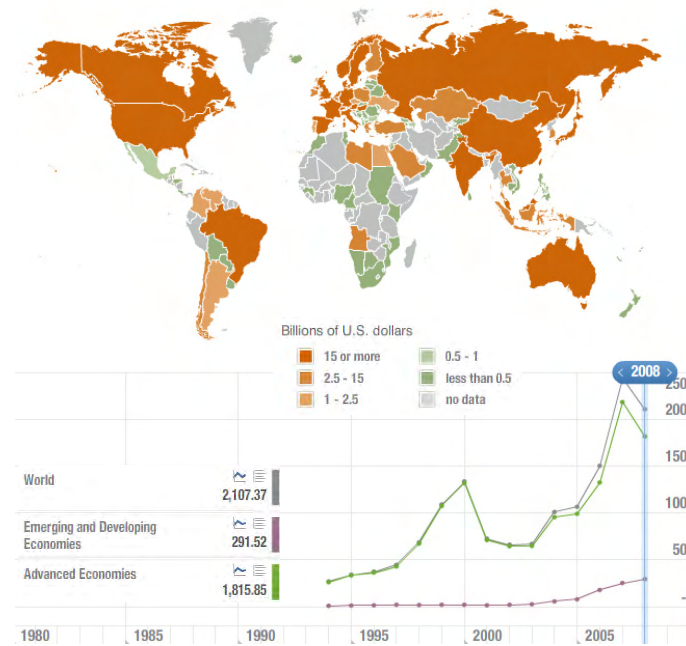


Figure 2.3 – Foreign direct investment

Source: IMF (2009)

The sources, destinations and industrial composition of FDI have become diverse. The most important change in the industrial pattern of FDI has been the shift towards services, accompanied by a decline in the share of natural resources and manufacturing. The service sector represented nearly two thirds of the global FDI stock (61 percent) in 2005, up from 49 per cent in 1990, while the share of manufacturing accounted for slightly less than a third of total stock (30 percent) (UNCTAD, 2008a). The initial economic emphasis on international trade in manufactured goods has also shifted along with the significant growth in trade of services.

The GATS, the first multilateral trade agreement effort to establish rules governing services trade provides a framework for multilateral negotiations on improved market access for foreign services and service suppliers, including travel and tourism. This represents a significant step forward in international economic cooperation and reflects a growing realisation of the economic importance of trade in services (Lee, Fayed, & Fletcher, 2002).



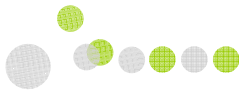
### 2.3 Globalisation of tourism and hospitality

Tourism is very much part of the globalisation process and has gained from the broad and expanding movement towards international economic liberalisation. It can be said that it is shaped by globalisation, but globalisation is also influenced by tourism, which means that it is in many ways a driver of globalisation. Indeed, several authors mention tourism as an important aspect of the globalisation process (Appadurai, 1995; Ekholm-Friedman & Friedman, 1995; Hannertz, 1992; Hjalager, 2007). Cheater defends that “tourism [...] is the world’s fastest growing ‘industry’, with an immense potential for affecting global relations, socio-political as well as financial and ecological.” (1995, p. 125).

Travel and tourism is considered to be one of the fastest growing industries and a major contributor to the worldwide GDP (Theobald, 2005). Despite economic, social and political uncertainties, it is believed that tourism will increase over the next 10 years. Rapid technological change, convergence of consumers’ tastes, changing economic conditions, modified consumer behaviour and increasingly worldwide competition have led tourism to overall expansion coupled with continuous diversification (Moutinho, 2000).

Dwyer (2005) identified five factors that, by promoting widespread economic dynamism and growth, can boost tourism demand, namely political pressures for higher living standards; improved macroeconomic policies; rising trade and investment; diffusion of information technology; and the increasing dynamics of the private sector. Economic downturns can act as a break to growth, causing disruption in the tourism sector. Indeed, the recession experienced globally in 2009 contributed to a decline of 4 percent in worldwide international tourism arrivals (UNWTO, 2010a).

According to Todd (2001), tourism depends upon economic development and free societies. In this regard, he argues the tourism industry has been driven by a number of economic factors, such as real income growth and personal wealth advancement; increases in leisure time; peace among nations; freedom on international travel and within currency markets; and the expansion of fast, efficient and affordable public transport.



For Cetron (2001), the increasing affluence is also a trend that will shape the environment in which world's tourism and hospitality will take place. Other aspects include the dominance of technology, both in the economy and the society; the aging population and the increased life expectancy in developed countries; the value of time; the changing lifestyles and values; the life-long learning; the growing concern for environmental issues; the importance of the generations 'X' and '.COM'; the bimodal distribution of institutions; and the replacement of service over location.

Other authors also consider demographic shifts, namely the ageing population, as changes that will impact the travel and hospitality industry in the future (Frechtling, 2001; Go & Pine, 1995; Müller, 2001; Olsen, 2001; Willmott & Graham, 2001). Additionally, factors, such as technology, climate change, changes in working patterns, time pressure, values and consumption modes, security are also expected to influence the tourism sector (Affolter, 2001; Butler, 2001; Clark, 2001; Knowles, Diamantis, & El-Mourhabi, 2004; Müller, 2001; Willmott & Graham, 2001).



Figure 2.4 – Globalisation drivers of the hotel industry

Source: adapted from Go & Pine (1995)

Regarding the hotel industry, and according to Go and Pine (1995), there are four major drivers at the heart of its globalisation: competition, government regulations, costs and market changes (Figure 2.4). We can add that all of these factors are embedded in information and communication technology (ICT), which is having a major influence at any level. These drivers render it profitable to make a greater or lesser use of the global



strategy ‘levers’, which can be conceptualised in terms of a continuum, ranging from a ‘multi-domestic’ strategy to a ‘global’ strategy (Whitla, Walters, & Davies, 2007). Evidence gathered from industry experts and senior executives reveal that the patterns of strategy and operational policies are most influenced by market drivers, while cost drivers do not have a dominant impact in the industry, and government and competitive drivers are not very influential (Whitla et al., 2007).

The global tourism market is composed of a multitude of small producers that coexist with a small number of big transnational corporations. About 95 percent of the accommodation and food sector is classified as small business (Buhalis & Peters, 2005), and these firms are expected to compete on equal basis regardless their size or country of origin. Globalisation thus does not involve only big corporations, but also a large number of small and medium-sized businesses.

According to Go and Pine (1995), a growing number of local businesses are being drawn into the global arena. The main reasons for that is the weakening of growth opportunities in some economies, which is pushing firms to expand into foreign markets, and the fact that corporations based in developed economies are being pulled into fast growing markets in search of growth opportunities. Despite being in minority, transnational companies are important because they generally set the pace and standards (Johnson, 2002), remaining a force in the worldwide hotel industry (Litteljohn & Roper, 1991), and also influencing the development and direction of the hotel industry in lesser developed nations (Go, 1989).

Global enterprises view the world as their operating environment and establish both global strategies and global market presence (Knowles et al., 2004). The most important effect of globalisation is thus an intensified competition through market extension. Tourism businesses operate globally and many have opted for a competitive advantage of internationalisation.





Table 2.2 – Stages in the globalisation of tourism

features	low globalisation profile			high globalisation profile
Stage title	1. Missionaries in the markets	2. Integrating across borders	3. Fragmentation of the value chain	4. Transcending into new value chains
Logic	Access to profitable new markets for existing products	Utilization of market access and brand profiles in Foreign markets	Creating profitability in services and getting access to specified material and immaterial resources	Adding value by integrating economic logics in other sectors
Manifestations in the tourism sector	A. Tourism board representation and operations in the markets	D. Transnational integration through business investments and mergers	F. Splitting the value chain, outsourcing	H. Development, production and marketing of knowledge
	B. International marketing collaboration by regional/national tourism enterprises	E. Import and export of business concepts through franchising and licensing	G. Flexible human resourcing and enhancing of the international labour markets	I. Sales of market positions and brand extension and spin-off
	C. Market expansion of larger tourism corporations			J. Tourism in the global media production

Source: Hjalager (2007)

Hjalager (2007) provides a descriptive model of the globalisation of the tourism industry, aiming to understand the increasing complexity of dynamic interactions across borders (Table 2.2). The level of analysis of the model is the tourism community and its actors, and the globalisation process is seen as the result of both business decisions of single enterprises and political decision-making. The model suggests a logical progression of four stages, representing (1) the attempt of the national tourism system to reach out to new markets, (2) the integration and incorporation of its business across borders, (3) the fragmentation and flexible relocation in space of production processes, and (4) the challenge of the industry identity and the emergence of new market types and business concepts that go beyond previous definitions of tourism (Hjalager, 2007).

The model suggests that individual firms, destinations and countries, by embracing globalisation in stages, may be able to control costs, gain market shares, and enjoy access



to competencies and other important resources. By joining international networks, tourism agents can address institutional and investment pressures at home, also at several levels (Knowles et al., 2004). The growing importance of strategic alliances in creating networks of business relationships has also become a trend in tourism (this issue will further expanded in section 5 of chapter 4).

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According to the model, globalisation is further enhanced by developments in ICT and transportation opportunities. The diffusion of technologies has helped to develop the tourism industry. The most important changes have occurred through computer reservation systems and global distribution systems that were originally developed by airlines (Galileo, Amadeus and Sabre), but were later adopted and personalised by major hotel companies (Johnson, 2002).

By facilitating the linkages between service providers (and consumers), ICT plays a fundamental role in the growing interdependence of markets and production activities across regions and countries, changing the nature of the competition itself. This enables opportunities for new inter- and intra-industry alliances, with horizontal and vertical integration occurring virtually rather than physically under each company's organisational umbrella (Olsen, 1999). The 'information revolution' and the reduction of boundaries have created new forms of service companies, not only the large multinational corporations, but also small niche specialists (Peric, 2005).

The globalisation process is predicted to continue and, as tourism is a global business, it will strive to achieve a balance between unification and diversification, and to adopt the positive aspects of globalisation, while emphasising particularities and attractions through localisation (Holjevac, 2003).

## 2.4 The global expansion of the tourism system

The tourism system has been described and modelled from different perspectives (e.g. (Goeldner & Ritchie, 2002; Gunn & Var, 2002; Inskeep, 1991; Leiper, 2004; Mill & Morrison, 1985; Wall & Mathieson, 2006)), but all include elements of demand and supply. Globalisation has increased the interdependence between countries, economies and people,



thus affecting the tourism supply and demand in many ways. According to Smeral (1998), demand has been affected by the increasing income and wealth, the aging population of the developed world, the saturation of demand for traditional destinations and the mono-activity vacations, the emerging new motives and changing lifestyles, and the increasing experience and knowledge of tourists. All these are important factors in explaining the nature of globalisation in tourism demand. On the supply side there is the increasing of worldwide acting suppliers, as well as the impact of computerised information and reservation systems; the decreasing costs of travel; and the emerging of new destinations, supported by hardware investments of multinational enterprises and infrastructure investments (Smeral, 1998). These two elements will be discussed in more detail in the next sub-sections.

#### 2.4.1 Tourism demand

Over the past six decades there has been a tremendous change in the scale of travel. Tourism has experienced continued growth and diversification to become one of the largest and fastest growing economic sectors in the world. The substantial growth of the tourism activity clearly marks it as one of the most significant economic and social phenomena of the twentieth century. The levels of international travel increased as a result of the factors mentioned above, coupled with some substitution of national by international travel. The number of international arrivals has grown from 25 million international arrivals in 1950, to 277 million in 1980, to 684 million in 2000, and to 922 million in 2008 (Figure 2.5), corresponding to an average annual growth rate of 6.4 percent. Worldwide tourist arrivals are estimated to have declined by 4 percent in 2009 to 880 million, as a result of the global economic crisis aggravated by the uncertainty around the influenza A (H1N1) pandemic (UNWTO, 2010a). Despite of the challenges posed by the economic crisis, prospects have improved and the UNWTO forecasts a growth in international tourist arrivals of between 3 and 4 percent in 2010 (UNWTO, 2010b).

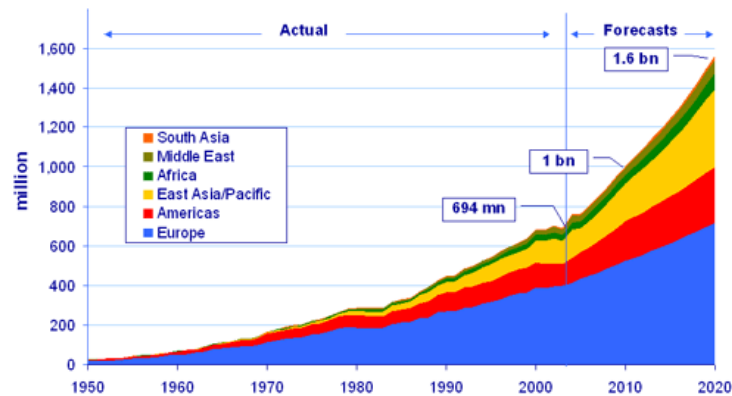


Figure 2.5 – Growth of international tourist arrivals by region, 1950-2020

Source: UNWTO (2005)

During this 60-year period, development was particularly strong in the East Asia and the Pacific region (12.5 percent on average a year) and in the Middle East (10 percent), while the Americas and Europe grew at a slower pace (5 and 6 percent, respectively) and slightly below the world's average growth (6.4 percent). Thus the consequences of globalisation are already evident as the variance among the regional market shares in world tourism has been decreasing over time.

In 1950, Europe and the Americas represented together over 95 percent of worldwide international tourist arrivals. In 1990 their joint market share was 82 percent, in 2000 it had dropped to 76 percent, and in 2008 their share in world tourism had decreased to 69 percent. These were the two major destination regions until 2001. In 2002, the East Asia and the Pacific overtook the Americas as the second most popular destination, representing 20 percent of the total international arrivals in 2008. New destinations are thus gradually increasing their market share, while more mature regions tend to have less dynamic growth. The growth has been particularly high in the world's emerging regions, with the share in international tourist arrivals of the developing countries steadily rising from 31 percent in 1990 to 45 percent in 2008 (UNWTO, 2009).

The World Tourism Organisation forecasts that international tourist arrivals will reach 1.6 billion in 2020 (UNWTO, 1998, 2001). Despite a modest annual growth rate (3.2 percent), Europe will remain the most popular destination (717 million international arrivals), though its market share will decline from 53 to 45 percent. Growth in this region will be



led by Central and Eastern countries, where arrivals are expected to increase by 4.8 percent per year (UNWTO, 2000). Given the dominance of this region, it is not surprising to find six European countries among the top ten tourism destinations, with the United States holding in the second position. However, in 2020 China is expected to replace France as the top destination, while the Russian Federation, Hong Kong and the Czech Republic will make an entry into the top ten.

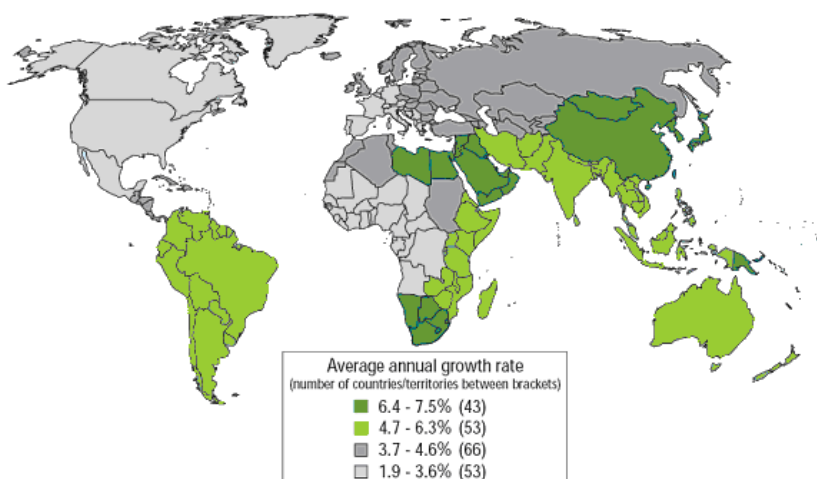


Figure 2.6 – Average annual growth of international tourist arrivals, 1995-2020

Source: UNWTO (2001)

The highest growth rates are forecasted for the Middle East, some countries in south and eastern Africa, South America and the East Asia and Pacific region, especially driven by China's growth as an important tourist destination (Figure 2.6). East Asia and Pacific will hold a 27 percent market share in 2020 against 18 percent by the Americas.

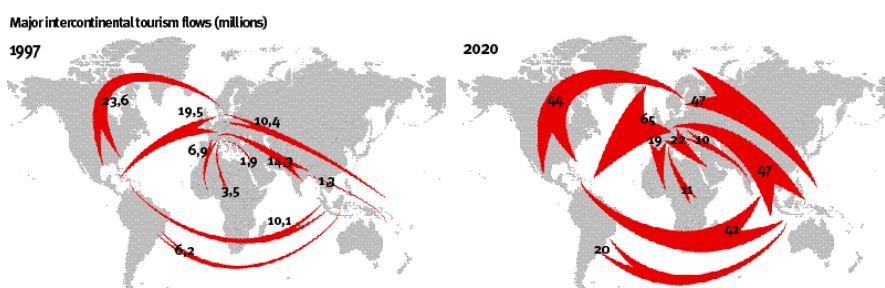


Figure 2.7 – Major intercontinental tourism flows, 1997-2020

Source: UNESCO



One of the main features of the expansion of international tourism is the rise in the long-travel (Figure 2.7). Its share of arrivals will grow, even though intraregional flows are and will remain predominant. By 2020 tourists will be travelling farther, 378 million of them being long-haul travellers. Long-distance travel is anticipated to grow at an average annual rate of 5.4 percent, whereas intraregional travel is expected to increase only 3.8 percent a year. As a result the long-haul share of worldwide tourist arrivals will rise from 18 percent in 1995 to 24 percent in 2020 (UNWTO, 2001).

Europe will remain the world's largest generating region, being responsible for almost one half of all tourist arrivals worldwide despite its modest annual growth rate. The East Asia and the Pacific will become the second largest outbound travel region, also forcing the Americas into third place. Despite not being major sources of tourists, the other regions will experience above average growth rates (between 5.6 and 6.2 percent per year) (UNWTO, 2001). Considering the countries that will be the main producers of tourists abroad, the list will keep the presence of the major industrialised countries (Germany, Japan, the United States, the United Kingdom and France), being expected however two important newcomers: the Russian Federation and China, which is expected to become the fourth largest source of tourists on the world market. Departures from Africa (especially the southern region), the Middle East and South Asia are expected to grow as well.

### 2.4.2 Tourism supply

The creation of a global society means that tourism businesses have the ability to operate globally and many have opted for a competitive strategy of internationalisation (Knowles et al., 2004). Outsourcing and transnational ownership structures and investments has thus become a standard, involving not only big corporations, but also small and medium sized businesses. As an industry, tourism includes various component sectors ranging from hotels and restaurants, travel agencies and tour operators, transports, as well as entertainment and tourist guides. All these components are closely integrated through the consumption patterns of travellers, thus having strong backward and forward linkages.

Tour operators, airlines, international reservation systems and hotels are key actors in international tourism as they strongly influence visitor flows (Endo, 2006). There are no



comprehensive international FDI statistics in tourism though. Nonetheless it is considered to be low compared to the levels of FDI in other economic activities (UNCTAD, 2007). Hotels and restaurants, and car rentals represent the largest and the major portion of FDI in tourism (Table 2.3), indicating that there is little FDI in important activities such as tour operations, reservations systems and airlines, partially because they undertake little FDI in their main areas of activities. (UNCTAD, 2007). Many of these companies are transnationals in result of overseas investment in tourism activities other than their own, giving rise to vertically integrated tourism firms. Vertical integration allows them to control various links in the distribution chain. Some companies have also started adopting a diagonal integration strategy to offer products and services that tourists usually purchase (Endo, 2006).

Table 2.3 – Frequency of FDI occurrence by sector

sector	frequency
Hotels and similar	...
Restaurants and similar	...
Second homes	...
Passenger transport rental equipment	...
Railway passenger transport services	..
Air passenger transport services	..
Road passenger transport services	.
Water passenger transport services	.
Passenger transport supporting services	.
Travel agencies and similar	.
Cultural services	.
Sports and other recreational services	.

... frequent      .. occasional      . rare

Source: adapted from UNCTAD (2007)

FDI is concentrated primarily in developed countries, both in terms of tourism-related FDI stocks and the locations of hotels that are part of international hotel chains (Endo, 2006; UNCTAD, 2007). The vast majority of FDI in hotels and restaurants has been also generated by developed countries. In this regard, Go and Klooster (2005) defend that the tourism sector still has a continental rather than a global character. Todd (2001) also share a similar view, stating that, although international travel is a global activity, it is dominated by a relatively few countries, both as origin markets and as destinations.

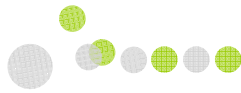


The growth of mid-sized groups began to evolve during the 1980s, their consolidation intensified in the 1990s and larger groups began to enter the equities market to fund continued expansion (Go & Klooster, 2005). The result was the formation of multinational groups, being US-based firms ahead of European and Japanese ones in terms of vertical integration (Tulder, 1999 cited in F Go & Klooster, 2005), showing at the time strong links with airline and tour operators (Dunning & McQueen, 1982; Lafferty & Fossen, 2001; Litteljohn, 1997). A significant part of globalisation strategies are mergers and acquisitions, commonly through horizontal or vertical integration.

There is thus a tendency for the emergence of integrated tourism multinationals, in order to benefit from the advantages of internal control of the various stages of transporting, accommodating and servicing tourists. This enables firms to plan, co-ordinate and control the flow of tourism services, providing ease of accessibility and enabling economies of scale to be exploited (Buckley & Papadopoulos, 1988). Hilton Hotels has played a prominent role in creating synergies between accommodation, gambling and entertainment, an example followed by Hyatt Corporation in the 1990s, when it ventured into casino-hotels. During the 1990s, the Marriott organisation strengthened its food and beverage holdings and also expanded into time-shares and luxury retirement communities (Lafferty & Fossen, 2001).

Global-acting airlines, hotel chains and tour operators already have branches throughout the world and cover major parts of international tourism demand with their global distribution systems (GDS). The use of modern information and communication technologies in connection with the various forms of horizontal vertical and diagonal integration extends the value chain (Smeral, 1998). Strategic alliances, mergers and acquisitions, which are very prevalent in the international hotel industry, are additional driving forces of the globalisation process.





## 2.5 The internationalisation of the hotel industry

The hotel industry is of central importance to the development of travel and tourism. It is complex, fragmented and highly competitive, and over the recent decades has witnessed unparalleled growth driven principally by globalisation (Fayall & Garrod, 2005 ). It is by nature an international sector, since most hotels have received foreign guests at one time or another, thus exporting hospitality services and generating export income. It is thus perceived as being one of the most ‘global’ in the service sector (Litteljohn, 1997). Globalisation continues to be a major trend in the world’s hotel industry, due in part to the saturation of domestic markets in developed countries (Zhao & Olsen, 1997). For their future survival and growth, many hotel firms in these matured markets decided to exploit new world markets.

However, the history of the internationalisation of hotel operations is not recent, evidencing an evolutionary nature. Littlejohn and Roper (1991) identified the late 1940s and early 1950s as the starting point of the development of the international hotel sector. Large international hotel chains emerged following the World War II, with their real growth occurring during the 1960s and 1970s. Up to mid 1960s, developed countries and only a few developed countries attracted most of the activities of the transnational corporations (UNESCO, 1980). In the 1970s, however, there was a rapid growth in the number of transnational-associate hotels in many parts of the developing world. Since then, three thirds of these hotels have become associated with transnational companies. Hotel chains have thus followed tourists and executives into foreign markets, providing the quality that accompanies the branded service product (Alexander & Lockwood, 1996).

The transnational character of the hotel industry thus started to be more expressive in the 1970s, especially in terms of the number of hotels associated with transnational companies in developing countries. At the time, probably the best assessment of the transnational nature of the global hotel industry was made by the United Nations Centre on Transnational Corporations (United Nations, 1980). According to the report, in 1978 there were 81 transnational corporations active in the world hotel industry (72 from developed market economies and nine from developing countries), accounting for 18.5 percent of the estimated total rooms of the 100 largest and the leading small hotel chains.

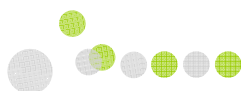


Transnational corporations were mainly based in the United States, which accounted for nearly half of the hotels located abroad and 56 percent of the rooms in such hotels. The importance of the United States in this early process of internationalisation is thus recognised, having in operation big hotel chains such as Hilton, InterContinental and Holiday Inn. About 30 percent of the remaining hotels were evenly originated European-based corporations from France and the United Kingdom, being responsible for 25 percent of the rooms (Dunning & McQueen, 1982). This figures concur with the view that the multinational enterprises most likely involved in the international tourism are from the countries that generate more tourists and have a well developed local hotel industry (Buckley & Geyikdagi, 1996). Regarding the location of the hotels, they were equally distributed between developed market economies and developing countries.

Although these decades were important in the internationalisation of hotel operations, it was not until the 1980s that such activity experienced a boost. The international character of the hotel industry is thus a fairly recent phenomenon. Olsen, Crawford-Welch and Tse (1991) documented that by then, a large part of the world hospitality assets were concentrated in the hands of just a few US hospitality firms. In the United States the industry was characterised by a heavy asset-based industry, however in the second half of the 1980s the situation changed, being transformed into a management contact-based industry.

These developments in the 1980s represent a fundamental shift in how large hotel operations viewed their environment on an international and not a national basis. The reasons behind this shift are unclear, being pointed out factors such as the low room occupancy rates in the US, which might have encouraged hotel operators to seek development in other markets, and the response to technological advances, particularly in travel (Olsen, 1991).

According to Littlejohn and Roper (1991), the top ten worldwide hotel groups' international holdings showed a growth from 579 foreign operated hotels in 1978 to 1,118 in 1989, experiencing a growth rate of 93 percent. There was also a shift away from the



dominance of US-based companies, with British and French companies gaining more importance in the international marketplace. It is the case of Bass, Ladbroke and Grand Metropolitan, which acquired Holiday Inn, Hilton and InterContinental<sup>3</sup>, respectively. The entry of Japanese firms, as well as other Asian corporations, into the United States has been also documented (Olsen et al., 1991). Similar acquisitions in the United States by UK-based Forte and the French hotel operator Accor contributed to altering the direction of international development in the hotel sector (Alexander & Lockwood, 1996). Nonetheless, over the last decades there has been a resurgence of international activity by US operations, despite Nickson's (1999) belief in declining American influence.

Taking into account the location of the headquarters of the 300 world's largest hotel companies in 2008 (Appendix 1), more than half were American-based firms (Figure 2.8), with 86 percent of them being based in the United States, whereas the remaining were mostly from Canada and Brazil. European hotel chains represented 23 percent and Asian firms 17 percent.

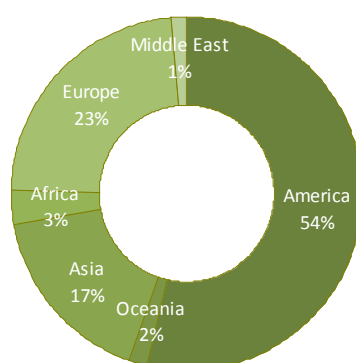
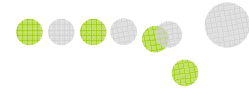


Figure 2.8 – Location of the headquarters of the world's largest hotel companies, 2008

Source: based on Gale (2009)

It is interesting to note that Asia shows the most growth in the corporate hotel chain supply in terms of growth rate and volume, attracting large international hotel groups, especially China and India that are the priority targets. However, it also experiences the consolidation of major hotel groups, whose development accompanies the growth of the domestic economies, showing strong growth rates in supply worldwide. It is the case of Japan and China (including Hong Kong), which jointly are home to 67 percent of the total largest

<sup>3</sup> InterContinental was later acquired by Seibu Saison of Japan.



Asian hotel companies. Although Japanese companies started their internationalisation process much earlier, China presents the same number of hotel chains in the top 300, a number that is even bigger than the one presented by the most represented European countries, as it is the case of Spain and England (the number of Chinese properties and rooms abroad is considerably lower though).

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This shows that companies, even from developing countries, have been proactive in response to the international marketplace. As international travel has grown, as well as the companies that serve these markets, new opportunities have emerged. Demand has developed in new markets, therefore, hotel chains have followed tourists, providing the quality that accompanies the branded service product (Alexander & Lockwood, 1996). Although the majority of hotel rooms are still within Europe, the rate of increase has been much lower than in other regions, especially the Americas and Asia (Johnson, 2002). According to Jones (2005), much of the growth in the industry will take place in Asia, with major US-based and European chains investing in China and India, coupled with the growth of regional-based hotel chains such as Taj, Oberoi, Shangri-La and Mandarin Oriental.

Chains in the hotel industry are getting larger, also affecting the total number of rooms under their control. In the hotel sector, concentration<sup>4</sup> began in the early 1900s, with the emergence of the Ritz Carlton in France and the Trust Houses in England; nonetheless, it was not until the 1930s that the process of concentration accelerated, particularly in the United States (Lafferty & Fossen, 2001). It was during this period that Hilton and Sheraton emerged and soon became major accommodation chains, expanding rapidly with the post-World War II tourism boom. The Holiday Inns chain also gained prominence, in result of the construction of the great interstate highway in the 1950s (Lafferty & Fossen, 2001). At that time, franchising was the vehicle for the initial expansion of the motel segment in the United States (Brown & Dev, 1997).

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<sup>4</sup> Concentration in the industry can be measured by the share of the world market controlled by the major chains.

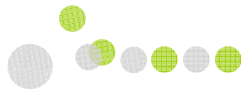


Table 2.4 – World's 10 largest hotel companies in 2009

rank	group	headquarters	hotels	rooms
1	InterContinental Hotels	UK	4,186	619,851
2	Wyndham Hotel	USA	7,043	592,880
3	Marriott International	USA	3,088	545,705
4	Hilton Hotels	USA	3,259	544,361
5	Accor	France	3,982	478,975
6	Choice Hotels International	USA	5,827	472,526
7	Best Western International	USA	4,032	305,387
8	Starwood Hotels & Resorts	USA	942	284,800
9	Carlson Hotels Worldwide	USA	1,013	151,487
10	Global Hyatt	USA	373	114,343
			33,745	4,110,315

Source: Gale (2009)

Until mid-1990s, the leading 20 hotel companies remained remarkably stable, with Holiday Inn, Sheraton and Intercontinental regularly appearing in the ranking. With increased concentration, owing to mergers and acquisitions, these brands, although still existing, appear as a multi-brand of the holding company. US-based companies have always been at the international forefront of concentration in hotel ownership. In 2000 only three of the leading ten companies (Bass, Accor and Sol Melia) were not from North America (Johnson, 2002), and in 2009, eight out of the top ten, by number of rooms, were from the United States, being the other two from European countries (England and France). The UK-based Intercontinental Hotel Group has been the world's largest hotel group since 2004, surpassing the 600 thousand room mark scattered by more than 4 thousand hotels around the world (Table 2.4). According to Johnson (2002), although the overall number of rooms worldwide has increased, the share of these largest companies has been rising as well, mostly because of industry consolidation that has principally occurred through mergers and acquisitions.

According to Cho (2005), the evolution and performance of the contemporary hotel industry has been shaped by its intrinsic characteristics: (a) it is a labour intensive industry with an emphasis on personal service; (b) it is an extremely competitive industry and the globalisation process has increased the number of 'players' in the hotel industry and



significantly increased competition in many markets; (c) it is an industry which is extremely sensitive to fluctuations in demand; and (d) it is very capital intensive industry.

As the industry has evolved over the years, its structure has become increasingly more complex with respect to scope, ownership, management and affiliation (Cho, 2005). There are mainly three types of companies involved in international operations: (a) the ones that construct, develop and own hotel buildings (e.g. Accor), the ones that manage hotels, with or without equity in the hotels under management (e.g. Hilton International), and the ones that develop hotel chains without being involved in either owning hotel buildings or managing them, i.e. franchising companies (e.g. Choice Hotels International). Hotels can thus be independently owned or operated with chain affiliation.

In the 1960s and the 1970s, equity investment was the most commonly used form by transnational companies in developed countries, while in developing countries management contracts were mostly used (Endo, 2006). Nowadays there is a high degree of multinational involvement in the form of non-equity modes of entry, especially franchising agreements (Endo, 2006), because these entry modes allow rapid expansion with minimal capital outlay, and the risk associated with the industry and the operation in uncertain environments (Davé, 1984). This also might explain why FDI in the tourism sector is not very high.

## 2.6 Summary and conclusions

The global economy is being driven by the rapid and unrestricted flows of information, ideas, capital, goods, services and people. This is a worldwide phenomenon, especially characteristic of the developed world, but showing a strong growth among emerging markets, such as China and India. This dynamics on the world economy provide the basis for tourism, which is now seen as a commodity for a large number of the world population.

The majority of tourists originates from and travel between developed countries, nonetheless, tourism to the less developed countries is becoming significant and increasing. This evolution has lead to a growing importance of emerging destinations, most of them in Asia and Eastern Europe. The increasing importance of these markets as tourism



destinations has been originating investment by worldwide economic agents, motivated to seek for scale, scope and learning economies, and the desire to enter markets globally.

FDI in hotels and restaurants are often used to estimate tourism FDI at the international level, given that there are no comprehensive statistics on the sector, and these represent the major portion of total FDI in tourism. Evidence from some studies shows that FDI levels are low, which is partially explained by the frequent use of non-equity forms by transnationals operating in tourism-related services.

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The international hotel industry is a dynamic industry sector, showing a growing trend in terms of properties and rooms. Although independently-owned properties represent the majority of rooms worldwide, there is evidence of increasing consolidation in the industry, with the major chains growing strongly in number of rooms and in the influence they exert upon the industry. The international hotel sector is thus dominated by a relatively small number of companies based in a few developed countries, in particular the United States and some Western European countries. Nonetheless, it is worth to note the emergence of transnationals from developing countries, notably China, Brazil and India, showing a diversification of the sources, and also destination, of tourism FDI.

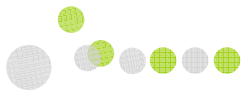
The theoretical background on the internationalisation of the firms, as well as the main determinants for FDI will be expanded in the next chapter.



3

# **internationalisation: concepts, theories and paradigms**





### 3.1 Introduction

The previous chapter has presented a contextualisation of the international business environment in face of globalisation, reviewing the major changes in the international tourism sector, in particular the developments in terms of international investment and the emergence of multinational companies. This chapter contains the theoretical background on the internationalisation of the firm, thus constituting the foundation of this thesis. Firstly, a discussion of the internationalisation concept is presented (section 3.2.), followed by a review of the most significant contributions to knowledge pertaining internationalisation (section 3.3), which can be sourced to the international economics, international finance and international business literatures. Contributions to the macro level of analysis were found in the form of theories of international trade, while theories at the micro level consider both the foreign direct investment decision process and the pattern pursued by firms in internationalisation. The motivations that support the decision to invest abroad, namely firm, country, industry and relational determinants are explored, as well as the main barriers (section 3.4), and the main forms of operation (section 3.5). Given that services have a set of particularities when compared with physical goods, internationalisation of service firms present some specificities when compared with manufacturing firms. Those particularities will be discussed in section 3.6 and the last section refers to the internationalisation the tourism sector (section 3.7).

### 3.2 The internationalisation concept

The concept of internationalisation has evolved over time, having been object of several attempts to encapsulate it. Welch and Luostarinen, the first authors to formulate a comprehensive analysis of it, regarded internationalisation as “the process of increasing involvement in international operations” (1988, p. 36). They consequently implied that inward activities are as important as outward activities, and that both kinds of international activities ought to be included in international operations (Holmlund, Kock, & Vanyushyn, 2007).

Subsequent reviews assessing and synthesising the general internationalisation process literature (Aaby & Slater, 1989; Andersen, 1993; Jan Johanson & Vahlne, 1990, 1992; Melin, 1992) have however agreed that efforts to condense the internationalisation concept



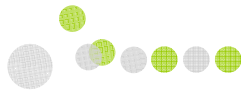
in a definitive manner have been inadequate (Coviello & Munro, 1997). A single, universally accepted definition of the term ‘internationalisation’ has remained elusive (Whitelock & Munday, 1993; Young, 1987), with a number of interpretations being found in the literature. Nonetheless, if considering internationalisation as a dynamic concept, Beamish’s comprehensive definition can be regarded as appropriate (Coviello & McAuley, 1999; Coviello & Munro, 1997). He defines internationalisation as “the process by which firms both increase their awareness of the direct and indirect influences of international transactions on their future, and establish and conduct transactions with other countries” (Beamish, 1990, p. 77).

Coviello and McAuey (1999) also consider this definition most useful because it integrates aspects of other views into one holistic interpretation of the internationalisation concept, namely (1) it implies that internationalisation is dynamic and evolutionary, given the process-based character of the definition; (2) it recognises that internationalisation has both behavioural and economic components by integrating the internal learning of the organisation with its patterns of investment; (3) is not restricted to outward patterns of investment, allowing inward internationalisation activities; and (4) it implies that firm’s growth and expansion to other countries might be influenced by relationships established through international transactions during internationalisation.

In Beamish’s holistic definition it is thus possible to identify three distinct schools of internationalisation research, namely the economic school of Foreign Direct Investment (FDI) theory, the behavioural school of the stage models and the relationship school of the network perspective (Coviello & McAuley, 1999). These different perspectives on internationalisation are discussed in the following section.

### 3.3 Theoretical framework of internationalisation

A considerable effort has been put on the search for a general paradigm of international production, however “there is no such thing as a once for all explanation of international business” (Dunning, 1990, p. 11). Changes within the boundaries of the firm and in market conditions make necessary constant monitoring and restructuring of the thinking. Doctrine on international economic involvement, until around 1950, mainly consisted of a well-



developed formal theory of international trade and a complementary, but less well-developed, formal theory of capital movements (Dunning, 1977). In the late 1950s, as a result of the post-war changes in the form and pattern of trade and capital exports, there was a shift of direction in the interests of international economists. In the 1960s, the emergence of international production as a major form of non-trade involvement gave rise to new theories and paradigms. In an attempt to explain international economic activities, literature has witnessed several advances in the last three decades. These advances in international economics, trade, finance and business studies have promoted a diversity of knowledge and produced a wide range of theories providing an understanding of cross-national activities, at both macro and micro levels of analysis.

According to Dunning (1990, pp. 10-11), the existence of a vast number of theories is rooted in several factors. First, it reflects the newness of the discipline, which is still in a learning process in search of its dominant paradigm. Second, it is also a reflection of the changes that occurred in international business, which means that earlier explanations, valid at the time they were produced, are no longer able to explain new realities. Third, some theories were designed to explain different aspects of the same phenomena. Fourth, scholars have tackled different organisational issues. Fifth, there is a distinct approach opposing scholars who seek to analyse the dynamics of direct investment as part of the internationalisation of firms, and those who aim to explain the pattern and composition of foreign owned production at a particular point in time. Finally, researchers may take a different perspective on international production.

Each of these different perspectives and theories are pieces of the jigsaw, helping to contribute to the understanding of the internationalisation phenomenon. This section will review some of the theories that have potential significance and contribution to international business<sup>1</sup>. Given that theories of international investment can be reviewed through several theoretical perspectives, in order to organise them, it is necessary to determine a structural approach to follow. The structure of this section follows the approach of Morgan and Katsikeas (1997), which draws a general distinction of

<sup>1</sup> In face of the vast amount of publications, there are several review-based articles that attempt to pull together the literature in order to present a clear understanding on internationalization (notably Boddewyn, Halbrich, & Perry, 1986; Cicic, Patterson, & Shoham, 1999; Clark & Rajaratnam, 1999; Ekeledo & Sivakumar, 1998; Gary Knight, 1999; Samiee, 1999).



### 3.3.1 International trade theories

#### 3.3.1.1 Classical trade theory

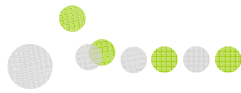
The history of economic theory and research in the area of foreign direct investment is relatively short, having its roots in the writings of classical economics. According to the classical trade theory, the extent to which a country exports and imports, dictates the relationship to its trading pattern with other nations (Morgan & Katsikeas, 1997). Countries are able to gain if each devotes resources to the generation of goods and services in which they have an economic advantage.

The theory of absolute advantage is a development of Adam Smith's analysis on international trade (Smith, 1776). He inquired about the nature and causes of the wealth of nations, and introduced in the economics literature the importance of international trade to a nation's economic welfare and development. He suggested that economies needed to export goods and services in order to generate revenue to finance imported goods and services which could not be produced indigenously, thus underlining the notion that international trade can influence a nation's economic strength (which can be measured by its GDP). The theory of absolute advantage asserts that a nation benefits from manufacturing more output than others, since it is in the possession of a particular resource or commodity, which can be a certain method or knowledge that increases the production efficiency and reduces the relative need to resources.

David Ricardo (1817) expounded the theory of comparative advantage, which is perhaps the most important concept in international trade theory (Suranovic, 2003). This theory suggests that countries specialise in the production and export of their most competitive

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<sup>2</sup> According to Stopford (1976), FDI can be regarded at three levels of analysis: macro, meso and micro.



goods and services, and import others that other nations possess a comparative advantage for. Ricardo used two countries in his example (Great Britain and Portugal) and two products (sheets and wine) to show that both countries could gain in the exchange by specialising internationally.

### 3.3.1.2 Neo-classical trade theory

#### 3.3.1.2.1 Approaches based on perfect markets

Given that the classical theory was unable to offer any explanation on what caused differences in relative advantages, new theories began to emerge so as to provide a rationale for the differences in advantage exhibited by trading countries. One of these theories was the factor endowments theory, also known as the Heckscher-Ohlin (HO) model, which was originally formulated by Heckscher (1919), elaborated by Ohlin (1933), and refined by Samuelson (1948; 1949; 1953). It is based on the distribution of factor endowments in each country to explain the comparative advantage which any country may have over its commercial partners. Therefore, this theory extended the concept of economic advantage by considering the endowment and costs of factors of production (Morgan & Katsikeas, 1997). By focusing on international specialisation of countries, the HO model supported that the quantitative differences of production factors between countries was the principal cause of international exchanges. Despite having influenced the fundamental analysis of international trade theories to a considerable extent (Vellas & Bécherel, 1995), the model has been criticised in the literature for the unreality and inapplicability of its assumptions: factor immobility, identity of production functions and atomistic competition (Dunning, 1977).

The HO model, traditionally applied to the international commodities exchange sector, was brought into international trade by Leontief (1953; 1956). He empirically tested the model and reached a paradoxical conclusion that the United States, which was the most capital abundant country in the world, exported labour-intensive commodities and imported capital-intensive commodities. This result, known as the Leontief Paradox, stimulated an enormous amount of empirical and theoretical research on the subject, especially in the 1960s (Baldwin, 1971; D. S. Ball, 1966; Bhagwati, 1969; Bharawaj, 1962; Casas & Choi,



1984, 1985; Gaisford, 1995; Hufbauer, 1966; Keesing, 1966; Minhas, 1962; Stolper & Roskamp, 1961; Trefler, 1993; Wahl, 1961).

Other theories based on perfect market assumptions focus on the differential rates of return, portfolio diversification and market size. Before being integrated into the factor price equalisation theorem (Mundell, 1957; Samuelson, 1948, 1949), trade and capital theory paralleled each other since trade in goods was accepted to be an alternative for trade in factors. The differential rates of return theory (Iversen, 1935; Nurkse, 1933; Ohlin, 1933) defended that capital would flow from areas with low rates of return, because of the relative abundance of this factor, to areas with relative scarcity of this factor, where rates of return were higher. FDI tended to be regarded like any type of factor movement; capital flowing from one country to another in response to differences in real interest rates.

Although the hypothesis appeared to be consistent with the pattern of FDI flows recorded in the 1950s, its explanatory power declined a decade later. In addition, the implicit assumption of a single rate of return across industries, and the implication that bilateral FDI flows between two countries could not occur, also made the hypothesis theoretically unconvincing. According to Hennart (2001), this view does not explain how differences in real interest rates influence the existence of MNEs, nor identifies the match between FDI and the growth of MNEs. The theory also fails to explain why firms finance their operations abroad both through foreign capital as well as in the domestic capital markets. From a theoretical point of view, it does not sufficiently explain why investors would prefer FDI to the less risky portfolio investment if the same rate of return applies to both (Dreyhaupt, 2006).

The portfolio theory, an alternative explanation for FDI, soon emerged based on the work of Markowitz (1952), which was expanded by Tobin (1958). This approach asserts that, in making investment decisions, MNEs consider, not only the rate of return, but also the risk involved. The international diversification of the investment portfolio would thus reduce the overall risk. However, empirical studies have offered only weak support for this hypothesis.



The market size hypothesis focuses on the role of the absolute size of the host country's market and its growth rate. It defends that the size of the market is positively correlated with the efficiency of the investors' utilisation of resources, and consequently with the potential to lower production costs through the exploitation of scale economies. Agarwal (1980) seemed to have found support for this hypothesis, by unveiling that the size of the host country's market was one of the most popular factors influencing a country's propensity to attract inward investment. Subsequent empirical studies has also provided support to the market size hypothesis (such as Billington, 1999; Cheng & Kwan, 2000; Love & Lage-Hidalgo, 2000; Tsai, 1994; Tuman & Emmert, 1999; Wang & Swain, 1995).

### 3.3.1.2.2 Approaches based on imperfect markets

Following the World War II, the new characteristics of the world economy, the significant technological progress, the specific conditions of some industrial sectors and the rise of multinational firms demanded for other strategic approaches to international trade in order to reflect this new reality. In early 1970s, Dunning (1973) stated that, at the time, the main contribution to international production came from economists, who were essentially interested in identifying and evaluating the factors influencing the locational choices of MNEs.

Ray Vernon, through his product life cycle theory, was the first scholar to develop a more strategic perspective to understand the internationalisation of business activities, offering a dynamic explanation of the cross-national locational choices (Vernon, 1966, 1971, 1974). The product life cycle theory of international trade, at the time it was developed, was found to be a useful framework for explaining and predicting international trade patterns as well as multinational enterprise expansion (Morgan & Katsikeas, 1997).

Vernon's theory, which was followed by Wells (1968; 1969; 1972), asserted that MNEs would choose their location according to the market structure in which they competed and the stage of the product cycle in which they were producing. In his theoretical analysis, Vernon emphasised country specific factors as influencers of both the origin of the



competitive advantages of firms and the location of value added activities arising from them<sup>3</sup>, paying little attention to the organisational structure of firms (Dunning, 1990).

However, in later contributions (Vernon, 1977; 1979; 1983), he noted that international development eventually made the product cycle less and less relevant, thus giving more attention to organisation, including the role of Government, as a factor influencing the outward investment of firms. Frederick Knickerbocker, who was Vernon's student, adopted this premise by studying the clustering of foreign subsidiaries of United States MNEs in particular sectors and countries (Knickerbocker, 1973). However, he paid more attention to the strategic behaviour of firms, especially those operating in oligopolistic sectors. He concluded that, in an oligopolistic environment, FDI by one firm will trigger similar investments by other leading firms in the industry to maintain their market shares.

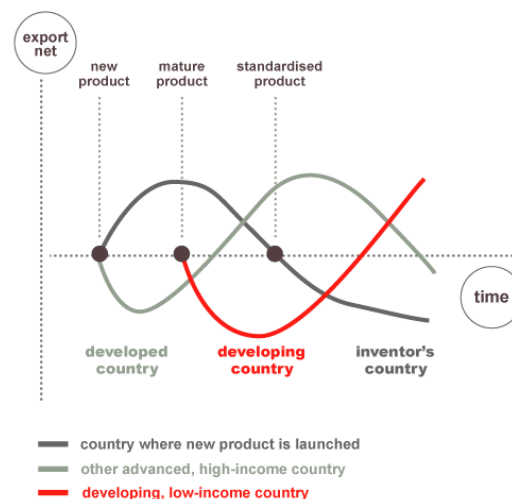


Figure 3.1 – International product life cycle model

Source: ProvenModels (2008b), based on Vernon (1966)

Vernon's product life cycle model consists of three stages in international trade and production (Figure 3.1), the last two having some explanatory power for FDI flows. In the first stage, a local manufacturer in an advanced country begins selling a new, technologically advanced product to high-income consumers in its home market, being the

<sup>3</sup> Vernon mainly focused on US multinationals, however the geographical scope of the studies was extended to British (Stopford, 1974, 1976), Continental European (Franko, 1976) and Japanese (Yoshino, 1976) multinationals, confirming the importance of the competitive advantages of home countries (Dunning, 1990).





production made locally to stay in close contact with consumers and to minimise risk and uncertainty. Cost and price for these products are initially high, however if they are true innovations and sufficiently differentiated from other products, the firm is able to reap high and sometimes monopolistic profits (Dreyhaupt, 2006).

However, when the product matures and becomes more of a commodity, the number of competitors increases. With a potential or real drop of profits, due to increased competition in the home market, the firm decides to export to other markets that are characterised by similar tastes, preferences and income patterns. As demand from consumers in these markets rises, as well as the local firms start to catch up, and the host governments introduce protective measures, production increasingly shifts abroad enabling the firm to maximise economies of scale and to bypass trade barriers. FDI is thus regarded as a defensive move to counter the advantages of domestic competitors as well as adverse government policies (Dreyhaupt, 2006). Eventually, the markets in other advanced countries also mature and profits become constricted. The firm may therefore shift some of the production facilities to less developed countries. In this case, FDI is motivated by the quest to substitute production factors and is entirely efficiency seeking (Dreyhaupt, 2006). In the end, the firm's home market becomes a net importer of the product, which is produced in less developed countries.

The product life cycle theory acknowledges FDI as a strategic move by international firms, being mostly a reactive move though. According to Dreyhaupt (2006), the theory still holds explanatory power for patterns of product innovation and diffusion in the manufacturing sector, although not consistently. Nevertheless, this theory has suffered some criticisms from other scholars and was added of some refinements. Balakrishnan (1975) proposed a forth phase, aimed at predicting the growth of FDI among countries with less degree of development. Tolentino (1987) also suggested that various third world countries have become source of outward direct investment due to the internationalisation of production.

Giddy (1978), a severe critic of the theory, claimed that it does not answer to the question why MNEs do not export or license their products, preferring to invest overseas, an



opinion that is shared by Dreyhaupt (2006). He also referred that it does not predict the trade of raw materials and does not predict correctly international patterns of many manufactured products, nor examines the systematic advantages that foreign firms have and that permit them to surpass disadvantages of struggle with local firms. Katseli (1991) considers that there is no considerable delocalisation of productive activities to less developed countries in the phase of standardised products, and the price of productive factors is taken as the sole determinant factor for the location of the direct investment. Chen (1983) stressed out the lack of explanation of more contemporary phenomena of FDI, namely the fact that in many cases a new product is introduced almost simultaneously to both domestic and foreign consumers. Dunning (1993) also believed that the theory was partial, addressing just the FDI market seeking type, failing to incorporate the resource-based and efficiency modalities. Several other authors have questioned the adequacy of this approach to explain FDI, namely Yamin (1991), Cantwell (1995) and Kojima (1978).

### 3.3.2 Foreign direct investment theories

#### 3.3.2.1 Industrial organisation approach

Stephen Hymer was the first scholar to address the issue of international production, introducing a microeconomic theory of the firm. In his PhD thesis (Hymer, 1960), which was published 16 years later (Hymer, 1976), he concluded that there had been a substantial growth in activities of US firms outside the country and that these activities tended to be concentrated in diverse industrial sectors (Dunning, 1990). Hymer did not find of much use the existing explanations for international expansion of firms, thus leaving behind the articulation of international production with international trade and capital movements (Calvet, 1981; Moreira, 2007). Being strongly influenced by the work of Bain (1956), Hymer used his approach to explain industrial composition of FDI. He was interested in examining firms wishing to own or control their foreign-based activities. According to the theory, the establishment of production facilities abroad was mainly motivated by the desire of market.

Although Hymer's work was considered pioneer, it was criticised because of the emphasis on industry structure and having neglected the transaction cost aspect related to the operation of foreign firms (Dunning & Rugman, 1985). Yamin (2000) and Cantwell



extend this argument, stating that Hymer discusses the theory behind why and how firms invest abroad, but does not focus on how a firm operates efficiently in other countries. However, in later contributions, Hymer (1968; 1970) used Coasian analysis (Coase, 1937) to explain the cross-border vertical and horizontal integration of the firms<sup>4</sup>. Even though Coase's transaction costs was later on incorporated, Hennart (2001) claims that Hymer did not systematise the argument. Dunning (1990) refers that his approach pays little or no attention to strategic issues. Another aspect that deserved criticism is the fact that his approach does not explain the presence of MNEs in highly competitive industries (Hennart, 2001), nor explains why foreign production is considered the most desirable means of exploiting the firm's advantage (Hennart, 2001; Morgan & Katsikeas, 1997). Nonetheless, Hymer's hypotheses had been formalised and tested by other scholars, notably by Caves (Caves, 1971, 1974a, 1974b; R. E. Caves, 1982), drawing almost exclusively on foreign activities of US firms.

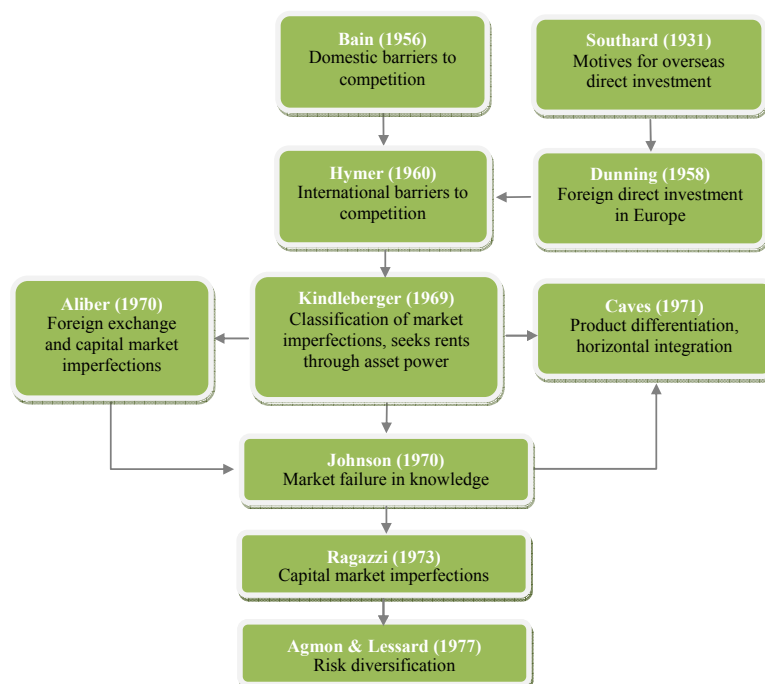
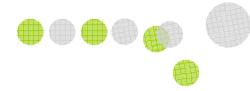


Figure 3.2 – Major contributions to the industrial organisation theory

Source: adapted from Weisfelder (2001)

Kindleberger (1969) also demonstrated that the rationale for FDI departures from the model of imperfect competition, by asserting that in a world of perfect competition direct

<sup>4</sup> Hymer argued that horizontal investment can be caused by imperfections in markets for intangibles.



investment could not exist. Both Hymer and Kindleberger were inspired by the traditional theory of the market, dealing with market imperfections in a partial equilibrium setting and emphasising the monopolist advantage. Hymer's work has led the way to further elaboration and refinement of the theory (Figure 3.2).

### 3.3.2.2 Transaction cost theory

With transaction cost theory, the emphasis shifted from why firms grow to the choice of using spot markets (contracts) or hierarchy (firms) to organise economic activity in foreign markets (Weisfelder, 2001). It seeks to explain which activities are organised within the firm and which ones are performed by independent agents. Since multinational enterprises are firms that extend their hierarchies across national boundaries, transaction costs theory threw some light on the reasons behind the existence and the growth of such firms (Hennart, 1987). The transaction cost theory thus seeks to explain why MNEs organise international interdependencies that could also be handled by markets.

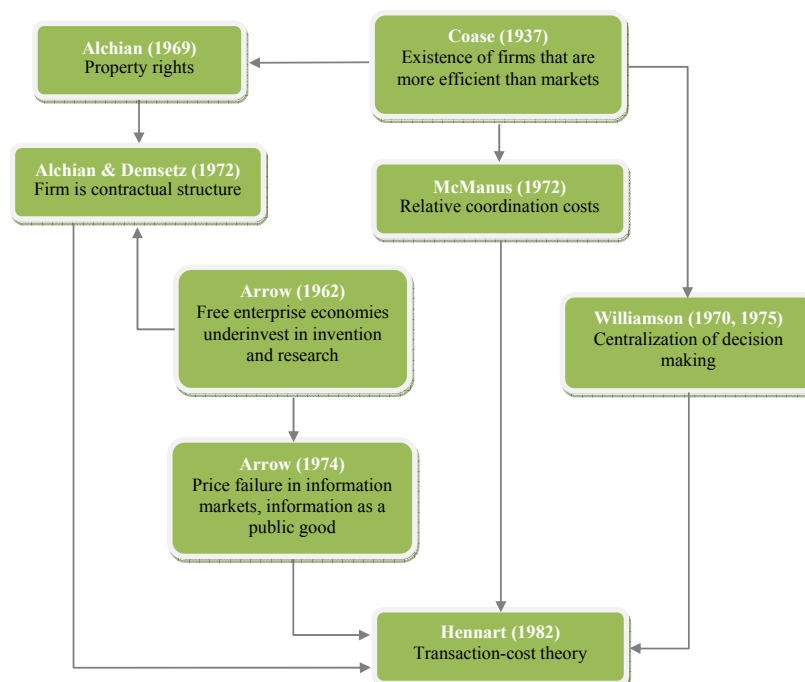


Figure 3.3 – Major contributions to the transaction cost theory

Source: adapted from Weisfelder (2001)

This theory is a predictor of institutional choice that views firms and markets as alternative means of organising economic activities (Weisfelder, 2001). By implication, it also



predicts when markets, franchising or long-term contracts are more efficient forms of ‘enterprise’ than firms. Hennart’s work (1987) is based on Coase (1937), Arrow (1962; 1974), Alchian (1969), Williamson (1970; 1975), Alchian and Demsetz (1972) and McManus (1972) (Figure 3.3). Hennart contributed to bring the insights of these scholars together into a unified international framework, which has been recognised by several authors as explaining international forms of production. The works of Anderson and Gatignon (1986), Gatignon and Anderson (1988), and Hennart (1991b) provide excellent reviews of ownership choice explanations based on the transaction cost theory.

### 3.3.2.3 Internalisation theory

The internationalisation theory explains the emergence of multinational enterprises as a result of market failure. It finds its roots in Coase’s transaction cost approach (1937), but it has largely been developed from Williamson’s work (1975; 1981; 1985; 1986). Robinson (1931), Kaldor (1934), Hayak (1937) and Penrose (1959) also provide the theoretical foundation for the internalisation theory, which was further developed and applied to MNEs by Buckley and Casson (1976) (Figure 3.4). Other important contributors are Casson (1979), Rugman (1980a; 1980b; 1980c; 1981b; 1981c; 1982; 1985; 1986; 1996) and Hennart (1977; 1982; 1986a; 1986b; 1991a).

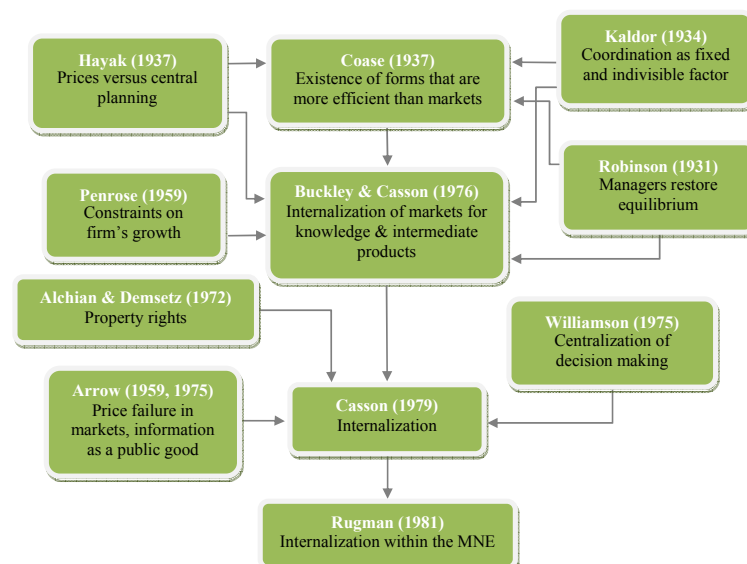


Figure 3.4 – Major contributions to the internalisation theory

Source: adapted from Weisfelder (2001)



Buckley and Casson (1976) extended the market imperfection approach focusing on the gains from internalisation available in the presence of market failures, such as information costs, time lags, transaction costs, opportunism and asset specificity. These failures are the main reason why an MNE must use direct investment instead of licensing. Internalisation entails the acquisition of control, through vertical integration, over activities that would otherwise be carried out inefficiently through market transactions (Weisfelder, 2001).

According to this view, it is the internalisation of markets across national boundaries that explain the existence of international production. An MNE with firm-specific advantages needs to protect them with its organisational structure, thus internalising its foreign market activity. Foreign direct investment thus occurs when the benefits of internalisation outweigh its costs.

Some debate has taken place regarding whether it is a ‘general theory’ ( Rugman, 1980b, 1981b, 1985) or not (Parry, 1985). Opponents of the former view contend that, although it provides a part of the explanation of FDI activity by MNEs, it does not provide a truly general theory of FDI. By focusing on the firm’s motivation for producing abroad, and thus neglecting in part the host country’s macroeconomic factors that may affect a country’s propensity to attract inward investment, the internalisation approach could be best referred to as a ‘general theory’ of the MNE rather than of FDI (Djarova, 2004).

Even though, at the theoretical level, the internalisation approach has received support due to its high degree of generality, it needs to be sharpened up in order to allow rigorous empirical testing. According to Buckley (1988), the structure of the theory is elaborated and testing cannot occur at the most general theoretical level, thus requiring careful restricting assumptions to be placed. Among the critics of the internalisation theory are also Kogut and Zander (1993), who developed the evolutionary theory, marking the transition from market’s imperfections approach of internalisation of the MNEs to knowledge-based theories of the firm. They argued that the internalisation of the firm’s activities is not necessary a result of market imperfections, thus having a different approach to international expansion. They developed knowledge-based explanations of



why firms exist, believing that the firm should be treated as a social community, in which knowledge is a comparative advantage.

### 3.3.2.4 Eclectic paradigm

The eclectic paradigm, also known as the OLI Model, shares many features with the transaction cost and internalisation theories. It was proposed by Dunning (1977; 1980; 1988a; 1990), who recognised the inability of a single theory to provide a comprehensive explanation for FDI. The idea behind the eclectic paradigm was thus to merge several isolated theories of international economics into a more dynamic and complete approach, thus benefiting from the work of several authors (Figure 3.5).

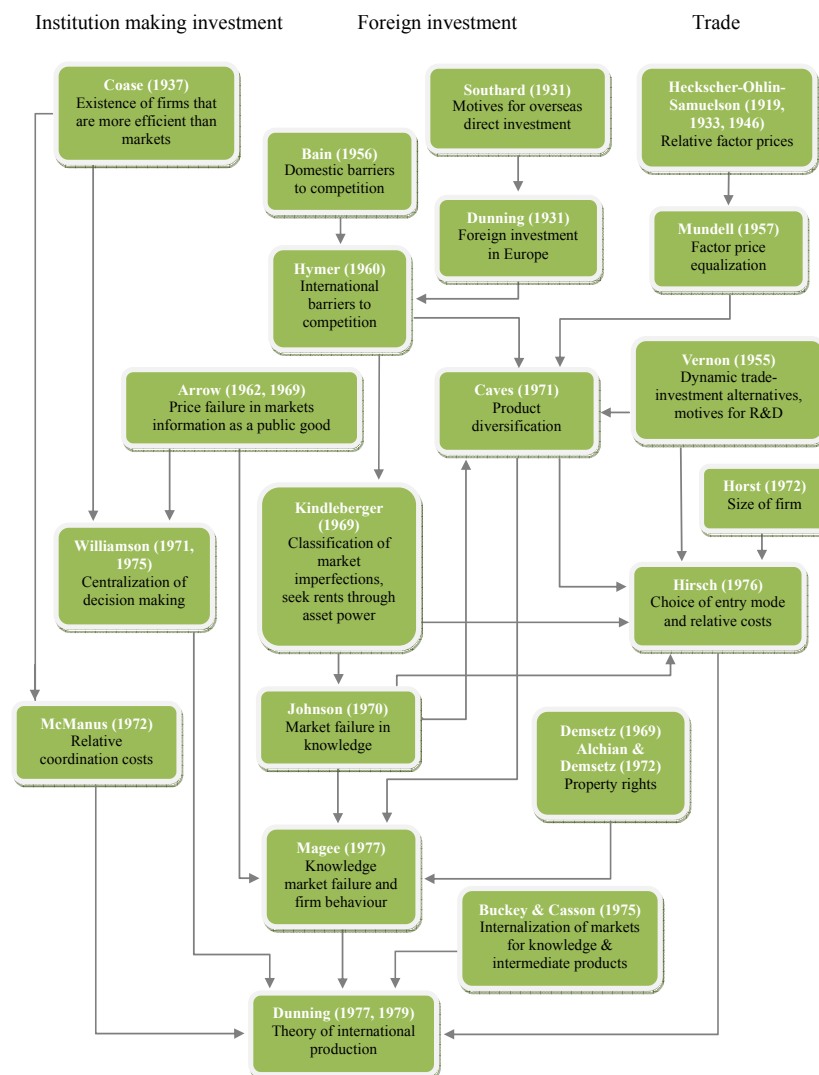


Figure 3.5 – Major contributions to the eclectic theory of international production

Source: adapted from Weisfelder (2001)



This paradigm explains that the FDI decision is affected by three factors: ownership (O), location (L) and internalization (I) (Figure 3.6). It explains the reasons why firms decide to internationalise; the prerequisites for that, namely what are the firm-specific advantages; where they invest, being the location advantages important to complement the ownership-specific advantages; and why they select FDI out of many forms of foreign market entry. The important aspect of this theory is that, rather than emphasising a specific advantage as the key determinant of FDI, it seeks to clarify the relationship between different elements (Moeti, 2004). Specifically, it supports that the location and ownership advantages are a necessary but insufficient condition for FDI, thus should be complemented by internalisation, which helps to take advantage of such conditions (Weisfelder, 2001).

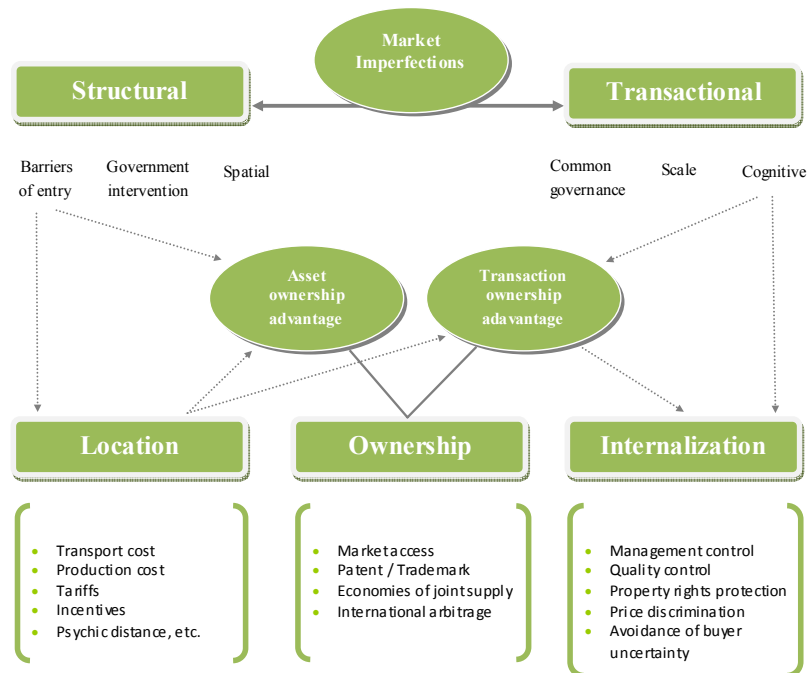


Figure 3.6 – OLI paradigm of international production

Source: Dreyhaupt (2006) based on Dunning (1988a)

Dunning's work has been criticised by Horaguchi & Toyne (1990) for not being original, as Hymer had already considered the mentioned arguments. However, no one else shared this view, as the other scholars seem to agree that Hymer's conclusions about MNEs are incomplete, whereas the paradigm fills in the gaps. Other critics of the eclectic paradigm are Ietto-Gillies (2002), who consider it very descriptive, broad and too formalised, thus





not being very relevant to explain the phenomenon, namely the case of the United Kingdom, which is very involved in both inward and outward FDI and a great share of it is directed towards developed countries. Melin (1992) considers that it mostly cares about explaining the way and extension of the investment and does not explain the international expansion process in the long term; and Taggart and McDermott (1993) believe that, by increasing FDI, firms intend essentially to have access and incorporate the technological knowledge that exists abroad. In face of the critics, the OLI paradigm has been modified several times by Dunning (1988a) to include structural and contextual variables and factors that describe dynamic and developmental aspects of international production.

### 3.3.3 Internationalisation theories of the firm

Contrary to the international trade and FDI theories, internationalisation theories attempt to explain how and why the firm engages in overseas activities, at the same time trying to conceptualise the dynamic nature of such behaviour (Morgan & Katsikeas, 1997). The most familiar dynamic approach is that of the internationalisation process models, which see internationalisation as process of successive stages. However, more recent approaches have challenged this stage model approach, such as the born-globals and the network perspectives.

#### 3.3.3.1 Incremental internationalisation

##### 3.3.3.1.1 Uppsala internationalisation model (U-M)

Much of the existing literature on internationalisation has been inspired by the work of Scandinavian researchers, who are collectively referred to as the Uppsala School. The model of individual firm internationalisation, known as the Uppsala Model (U-M), is closely associated with the research of Johanson and Wiedersheim-Paul (1975) and Johanson and Vahlne (1977) (Figure 3.7). Johanson and Wiedersheim-Paul (1975) studied four large Swedish manufacturing firms and identified four different modes of entry on international markets, where the successive stages represent higher degrees of international involvement. The study also showed that firms seemed to enter new countries with successively greater psychic distance.

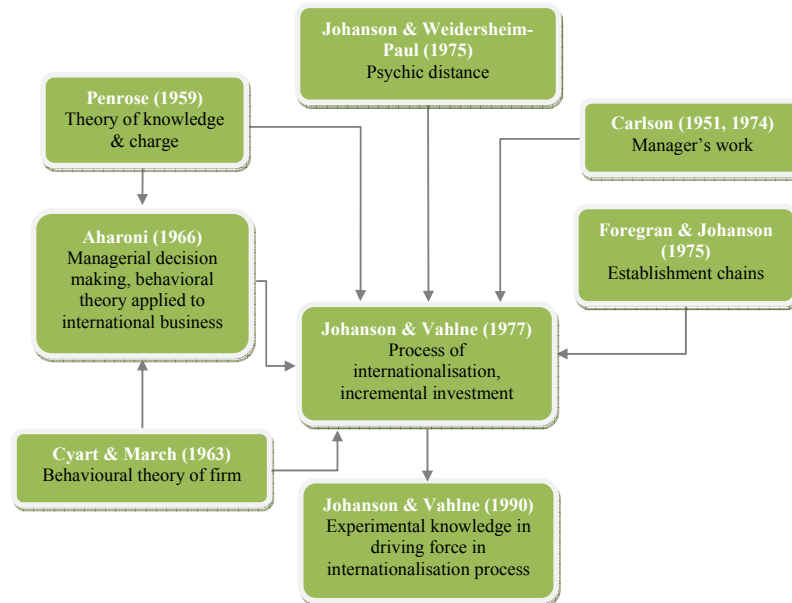


Figure 3.7 – Major contributions to the Uppsala internationalisation model

Source: adapted from Weisfelder (2001)

Johanson and Vahlne (1977) further developed and refined Johanson and Wiedersheim-Paul's work. To explain the incremental character of internationalisation, they formulated a dynamic model, in which the outcome of one cycle of events constitutes the input to the next (Figure 3.8), known as the establishment chain (Moreira, 2007). Basically it defines a four-stage internationalisation process, starting with (1) occasional exporting activities. With the growing knowledge of the foreign market, the firms start to (2) export regularly through agents. With a deeper involvement abroad, the firm decides to establish a (3) sales marketing subsidiary in order to exploit the market. In the final stage, the firm engages in (4) international production.

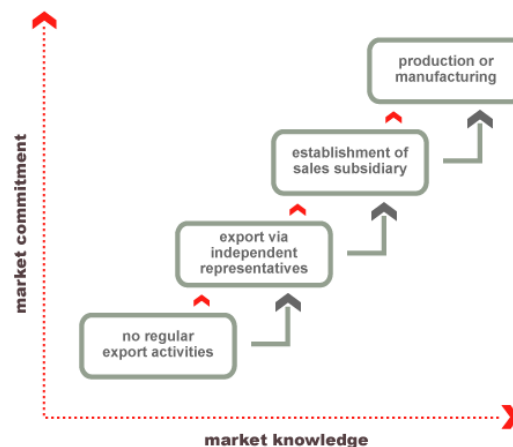


Figure 3.8 – The Uppsala stage model of internationalisation

Source: ProvenModels (2008c) based on Johanson & Vahlne (1977)

This evolutionary model, extensively influenced by the behavioural theory of the firm developed by Cyert and March (1963) and Aharoni (1966), showed that initial internationalisation activities used the less committed modes of entry and were targeted to psychically close markets. Although the concept of ‘psychic distance’ had been used in prior research (Beckermann, 1956; Linnemann, 1966), its use in this context was operationalised. They defined psychic distance as “factors preventing disturbing the flow of information between firm and market, including factors such as differences in language, culture, political systems, level of education, or level of industrial development” (Johanson & Vahlne, 1977, p. 24). This is an important concept because, according to them, internationalisation is based on learning through the development of experiential knowledge on foreign markets. To explain the internationalisation across country markets, it was hypothesised that firms would enter new markets with successively greater psychic distance.

According to these authors, the basic mechanism of internationalisation encompasses state and change aspects of internationalisation variables (Figure 3.9). The state aspects relate to market commitment and knowledge about foreign markets and operations. The change aspects include decisions to commit resources and performance of current business activities. A basic assumption is that market knowledge and market commitment affect



both commitment decisions and the way current decisions are performed and these, in turn, change market knowledge and commitment.

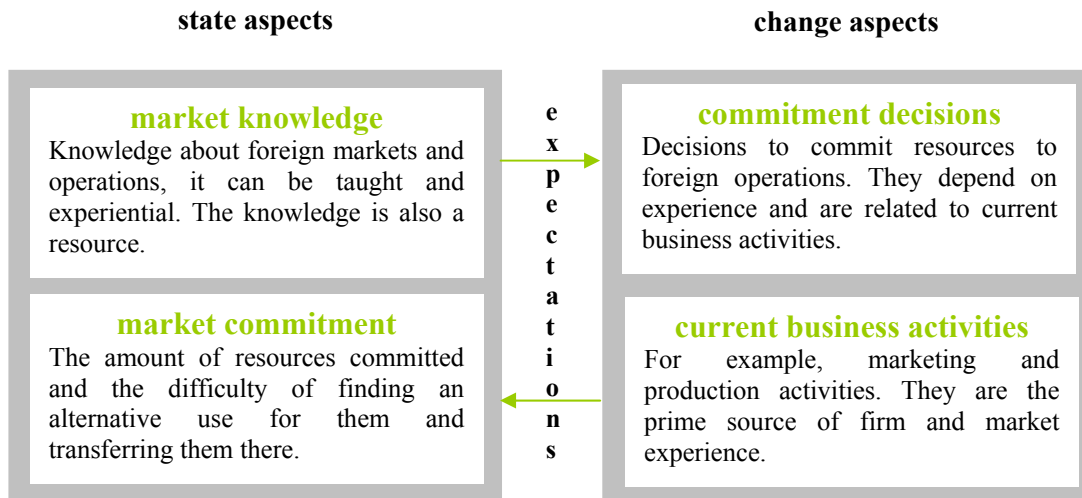
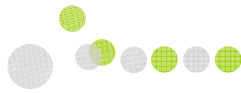


Figure 3.9 – The international process of the firm

Source: Hadjikhani & Johanson (2002) based on Johanson & Vahlne (1977)

According to this view, better knowledge about the country leads to a stronger commitment to the market. In turn, knowledge and experience can be acquired through a long learning process in connection with current business activities. For this reason, the internationalisation process is often slow and firms follow a cautious approach, especially SME's due their limited financial and managerial resources (1991).

International activities require both general knowledge on operations, which can be transferred from one country to another, and market-specific knowledge, which is assumed to be gained mainly through experience in the market. In this regard, additional market commitment will be made in small incremental steps, existing however three exceptions: (1) firms that are resource intensive, or large enough, are able to take larger internationalisation steps; (2) when market conditions are stable and homogeneous, relevant market knowledge can be gained in ways other than experience; (3) firms with considerable experience gained in markets with similar conditions may be able to generalise this experience to any specific market and skip some stages as a consequence of their former experience (Johanson & Vahlne, 1977, 1990).



Even though it was developed based on the experience of the Scandinavian market, the Uppsala Model has been extensively used to explain the internationalisation of firms in many countries. This theory has triggered substantial research along the line of the experiential learning perspective, with some empirical studies confirming the existence of a gradual process characterising firms' international expansion or providing support to the idea that psychic distance inhibit firms from full-ownership foreign involvement (such as (Buckley, 1989; Gatignon & Anderson, 1988; Hilal & Hemais, 2003; Johanson & Vahlne, 1990; Kogut & Singh, 1988; Rao & Naidu, 1992)). Subsequent proposed models have also been stimulated by the Uppsala model, namely innovation-related models (section 3.3.3.1.2) and the adaptive choice model. This last model was developed by Lam and White (1999), who defended that the stage model lacked specification of internal problems and hurdles that managers face during the internationalisation's organisational change process. Thus they attempted to fill this knowledge gap by exploring types of managerial dilemmas that organisations will confront as they internationalise. The adaptive choice model claims that the internationalisation process unfolds as a firm tries to adaptively solve strategic, structural and human resource-related dilemmas.

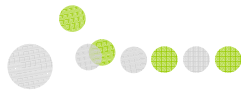
Notwithstanding the widespread recognition and wide acceptance of U-M model in the literature, it has been repeatedly challenged over the years, most notably by Sullivan and Bauerschmidt (1990) because of the generalizability of the model, and by Andersen (1993) regarding its theoretical foundation. Other scholars have criticised it for several aspects, mainly for its deterministic character; for not considering the importance of entry movements and cooperation in this process; for the systemic nature of internationalisation; for not explaining much about the initial stages of international involvement, the behaviour and strategies of born-globals; and for not considering the conclusion of other empirical studies that reject this sequential view. The main criticisms and perspectives on the model, and the respective authors, are synthesised in Table 3.1.



Table 3.1 – Critics and perspectives on the Uppsala internationalisation model

author(s) (in date order)	critic(s)/viewpoint(s)
Andersen (1993)	The model failed to explain how an internationalisation process begins, how experiential knowledge of foreign markets affects resource commitment, and how and why internationalisation proceeds to the next stage. It is limited to the macro-economic conditions of the 1960s and 1970s.
Bell (1995)	His empirical study revealed that firms do not follow a sequential order in what concerns modes of entry.
Dunning (1995)	He emphasised that nowadays the influence of geographical distance is minor.
Hadjikhani (1997)	The model does not include intangible aspects in the concept of market commitment.
McDougall, Shane, & Oviatt (1994)	The model is partial, but it is valid in some situations. It does not explain born globals.
Nordström (1991)	He concludes that the internationalisation pace seems to become more rapid than ever. He also finds indications of a trade-off between the pace on and the level of commitment to particular markets.
O'Grady & Lane (1996)	They concluded that there is a 'psychic distance paradox' because assumptions of cultural similarity can prevent managers from learning about critical differences. Proposed some modifications in the conceptualisation and measurement of psychological distance.
Petersen & Pedersen (1997)	There can be cases where there are leaps in the process and that the aim of international activities is the search of resources, and not the market.
Petersen & Pedersen (1999)	They argue that international expansion is not a gradual incremental process, it is rather a discontinuous process characterised by an initial 'big step'.
Reid (1984)	Internationalisation processes are necessarily attached to the environment in which enterprises operate, thus not being possible to generalise the model to international level.
Root (1998)	The model does not predict de-internationalisation.
Sullivan & Bauerschmidt (1990)	Pointed out that the Uppsala model was exclusively induced from the studies on Scandinavian industrial firms and therefore lacked external validity. Rejected the influence of the psychological distance variable, thus refusing the capacity of incremental internationalisation to explain the phenomenon.
Turnbull (1987)	Criticised the deterministic approach, defending that internationalisation does not necessarily follows a linear path. His empirical studies revealed that many enterprises jumped the establishment chain and some initiated their international operations through FDI.
Vahlne & Nordstrom (1990)	Claimed that the distance to the market loses a great part of its significance due to the on-going globalisation process, in which the liberalisation of trade, the Internet and the diffusion of English as a common business language has made the world shrink.
Welch & Luostarinen (1988)	Based on their findings, they contend that the internationalisation process is not necessarily sequential and that it is often irregular. The stages or strategies adopted would be affected by the discontinued and uncontrolled emergence of opportunities or threats to the enterprise.

Source: own construction



Millington and Bayliss (1990) suggest that the incremental process that creates knowledge is being replaced by research and planning before internationalising. This is also supported by Nordström (1991), who mentions the higher amount of information and how it enables skip stages in the internationalisation process. Other authors also questioned the traditional pattern of the internationalisation process, which has been affected by the globalisation process and the development of new communication and information technologies (Madsen & Servais, 1997; Rennie, 1993).

Despite its weaknesses, this model has provided an attractive explanation for the traditional incremental internationalisation of firms over time. Nonetheless, in order to respond to the criticisms, Johanson and Vahlne (1990) suggested a dynamic international model, relating their initial model (Johanson & Vahlne, 1977) to the eclectic paradigm model and the networking literature, and introducing also the concepts of the advantage package and the advantage cycle in the internationalisation context.

#### 3.3.3.1.2 Innovation-related internationalisation models (I-M)

The Uppsala model has been the inspiration for the development of the innovation-related internationalisation models (I-M). These models follow a similar sequence based on organisational learning and derive, in part, from Rogers' (1962) stages of the innovation adoption process (Morgan & Katsikeas, 1997). The use of the innovation adoption framework in export decision making was first considered by Simmonds and Smith (1968), but significant advances were made by Bilkey and Tesar (1977). These authors concluded that the process of export development was represented by several distinct stages and that various different factors affected decision making at each stage. The innovation adoption approach to internationalisation was followed by other scholars (Cavusgil, 1980; Czinkota, 1982; Dollinger, 1995; Gankema, Snuif, & Zwart, 2000; Lim, Sharkey, & Kim, 1991; Rao & Naidu, 1992; Reid, 1981; Wortzel & Wortzel, 1981), whose models diverge in the choice of the stages, their number and the initiating mechanisms of internationalisation (Table 3.2). Nonetheless, all the models consider that the crossing of each stage constitutes an innovation for the firm. According to Andersen (1993), these models contained unobservable concepts and delivered only trivial explanations of internationalisation processes.



Leonidou and Katsikeas (2000) suggested that the different stages of the various models can be summarised in three main phases of export development: (1) the pre-engagement, where firms are not involved in exporting but are considering this option; (2) the initial phase, where firms engage in exporting activities on a non-regular basis, but having the potential to extend their activities abroad; and (3) the advanced phase, characterised by the firms being consistent exporters, with experience abroad and considering other forms of international engagement.

If some authors have corroborated these models, on the other hand empirical studies have contradicted the stage approach, notably Millington and Bayliss (1990), who regard this approach as an exception rather than a generalisation. Julien (1995) also defended that the learning process is not the only way of increasing exports or to diversify them, as certain firms approach several markets directly and not necessarily gradually. Fischer and Reuber's (1997; 2000; 2003) studies unveiled that companies having a management team with international experience would be able to skip some intermediate stages.

Several changes encompassing the business environment have been challenging these step-stage models of internationalisation traditional models, namely the fact that firms are now much more driven into the global arena as a response to international influences, opportunities, threats, and imperatives. Increasingly, competitors, customers, suppliers, and employees are from other countries, making an international orientation a necessity rather than an option for many companies (Jones, 2001).





Table 3.2 – Innovation-related internationalisation taxonomies

	Stage 1	Stage 2	Stage 3	Stage 4	Stage 5	Stage 6
<b>Bilkey &amp; Tesar, 1977</b>	Management is not interested in exporting	Management is willing to fill unsolicited orders, but makes no effort to explore the feasibility of active exporting	Management actively explores the feasibility of active exporting	The firm exports on an experimental basis to some psychologically close country	The firm is an experienced exporter	Management explores the feasibility of exporting to other more psychologically distant countries
<b>Cavusgil, 1980</b>	Domestic marketing: the firm sells only to the home market	Pre-export engagement: the firm searches of undertaking exporting	Experimental export involvement: the firm starts exporting on a limited basis to some psychologically close country	Active export involvement: exporting to more new countries – direct exporting – increase in sales volume	Committed export involvement: management constantly makes choices in allocating limited resources between domestic and foreign markets	
<b>Reid, 1981</b>	Export awareness: problem of opportunity recognition, arousal of need	Export intention: motivation, attitude, beliefs	Export trial: personal experience from limited exporting	Export evaluation: results from engaging in exporting	Export acceptance: adoption of exporting/rejection of exporting	
<b>Wortzel &amp; Wortzel, 1981</b>	Importer pull	Basic production capacity marketing	Advanced production capacity marketing	Product marketing – channel push	Product marketing – consumer pull	
<b>Czinkota, 1982</b>	The completely uninterested firm	The partially interested firm	The exporting firm	The experimental firm	The experienced small exporter	The experienced large exporter
<b>Lim et al., 1991</b>	Export awareness	Export interest	Export intention	Export adoption		
<b>Rao &amp; Naidu, 1992</b>	Non-exporters: the firm has no current export activity nor any future interest	Export intenders: the firm is a current non-exporter, but would like to explore future export opportunities	Sporadic exporters: the firm exports, but in a sporadic fashion	Regular exporters: the firm exports on a regular basis		
<b>Dollinger, 1995</b>	Passive exporting: the company fills international orders but does not seek export business. At this stage, many small business owners do not realize that they have an international market.	Export management: the owner or a specific manager seeks export sales. Most small businesses at this stage rely on the indirect channel of exporting. Exporting is seen as an opportunity for new business.	Export department: the company uses significant resources to seek increased sales from exporting. Managers no longer see exporting as a prohibitive risk. The key for most small businesses is finding a good local partner for distribution.	Sales branches: when demand for the company's product is high in a country or region, it justifies setting up local sales offices.	Production abroad: production moves a company beyond downstream value-chain activities. Companies may use licensing, joint ventures, or direct investments.	The transnational: small size does not preclude a small business from developing a globally integrated network that characterizes the transnational corporation.
<b>Gankema, Snuif &amp; Zwart, 2000</b>	Domestic marketing	Pre-exporting and evaluation	Experimental involvement	Active involvement	Committed involvement	

Source: based on Alon (2004); Andersen (1993); Morgan & Katsikeas (1997)

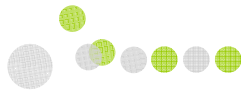


### 3.3.3.2 International new ventures or born globals

Despite the broad use of the Uppsala model to explain the internationalisation of firms over time, the recent regional and global integration of trade and production, combined with rapid technological changes, are enabling and facilitating rapid internationalisation among firms<sup>5</sup>. Influenced by the growing interest of business press in the rapid internationalisation of firms, this subject has started to receive considerable attention in the international entrepreneurship literature in the early 1990s, notably from Oviatt and McDougall (1994), who introduced a theoretical base for the study of new firms going international. These firms have been refereed in the literature as international new ventures (Coviello, 2006; Evangelista, 2005; Fernhaber, McDougall, & Oviatt, 2007; Knudsen & Madsen, 2002; McDougall & Oviatt, 1996, 2003; McDougall et al., 1994; Oviatt & McDougall, 1994, 1997, 2005; Shaw & Darroch, 2004; Varis, Kuivalainen, & Saarenketo, 2005), born globals (Andersson, Gabrielsson, & Wictor, 2007; Andersson & Wictor, 2003; Bell, McNaughton, & Young, 2001; Chetty & Campbell-Hunt, 2004; Engström & Levin, 2007; Hashai & Almor, 2002; Kandasaami, 1998; Knight & Cavusgil, 1996; Madsen & Servais, 1997; Moen, 2002; Rennie, 1993; Rialp, Rialp, Urbano, & Vaillant, 2005), infant multinationals (Lindqvist, 1991), instant internationals (Fillis, 2001; Preece, Miles, & Baetz, 1999), instant multinationals (Litvak, 1990), high technology start-ups (Jolly, Alahunta, & Jeannet, 1992), technology-based new firms (Yli-Renko, Autio, & Tontti, 2002), instant exporters (McAuley, 1999), new high potential ventures (Almeida & Bloodgood, 1996; Bloodgood, Sapienza, & Almeida, 1995), virtual instant global entrepreneurs (Katz, Safranski, & Khan, 2003) and global start-ups (Oviatt & McDougall, 1995).

Although there seems to be no agreement on the choice of the terms, born globals and international new ventures are the most frequently used. Nonetheless, these concepts present many definitional similarities. International new ventures are “business organisations that, from inception [seek] to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries” (Oviatt & McDougall, 1994, p. 49). Born globals have been presented in the literature with several, but similar,

<sup>5</sup> For a review on the driving forces and facilitating factors for accelerated internationalisation of new ventures see Coviello and Munro (1995), Knight and Cavusgil (1996), McAuley (1999), Madsen and Servais (1997), Oviatt and McDougall (1999) and Rennie (1993).



definitions (Table 3.3.). Despite the different views, the idea behind these definitions is that these firms start with a proactive international strategy, contrasting with organisations that evolve gradually from domestic firms to multinationals. However, these companies do not necessarily own foreign assets, being FDI not a requirement (Oviatt & McDougall, 1994).

Table 3.3 – Definitions of born globals

author(s)	interpretation
Madsen, Rasmussen, & Servais (2000)	Firms established after 1976 and have reached, at least, 25 percent of foreign sales after having started export activities within three years following their birth.
Rasmussen, Madsen, & Evangelista (2001)	Firms which aim at international markets or maybe even the global market right from birth.
Moen (2002)	Firms established after 1990 and having export sales higher than 25 percent.
Moen & Servais (2002)	Firms exporting from near their beginning.
Andersson & Wictor (2003)	Firms that have achieved a foreign sales volume of at least 25 percent within 3 years of its inception and that seek to derive significant competitive advantage from the use of resources and the sales of outputs in multiple countries
Knight & Cavusgil (2004)	Firms that expand into foreign markets and exhibit international business expertise and superior performance, since, or near, their founding.
Knight, Madsen, & Servais (2004)	Firms less than 20 years old that internationalise on average within 3 years of their founding and generate at least 25 percent of total sales from abroad.
Freeman, Edwards, & Schroder (2006)	Firms with less than 100 employees that have successfully internationalised within the first two years.
Zhou, Wu, & Luo (2007)	Firms less than internationalise on average within 3 years from domestic establishment (including exporting and importing activities) and generate at least 10 percent of total sales from abroad.

Source: based on Bals, Berry, & Hartmann (2008)

A new term, born-again global, has been created by Bell, McNaughton and Young (2001), to refer to firms, well established in their domestic markets and with no apparent great motivation to internationalise, but which have suddenly embraced rapid and dedicated internationalisation. This change in orientation is usually caused by a critical incident, namely the takeover by another enterprise, the acquisition of a company with international connections or the internationalisation of a domestic client.



Although Oviatt and McDougall (1994) have established the elements of a theory of international new ventures, their focus was mainly on static elements, not providing a description on how international new ventures are formed. Their theoretical approach describes four necessary and sufficient elements for explaining the existence of sustainable international new ventures: (1) organisational formation through internalisation of some transactions; (2) strong reliance on alternative governance structures to access resources; (3) establishment of foreign location advantages; and (4) control over unique resources (Rialp, Rialp, Urbano et al., 2005). In addition, four different types of international new ventures are outlined according to the number of countries involved and the level of coordination of value chain activities: export/import start-ups, multinational traders, geographically-focused start-ups, and global start-ups (Figure 3.10).

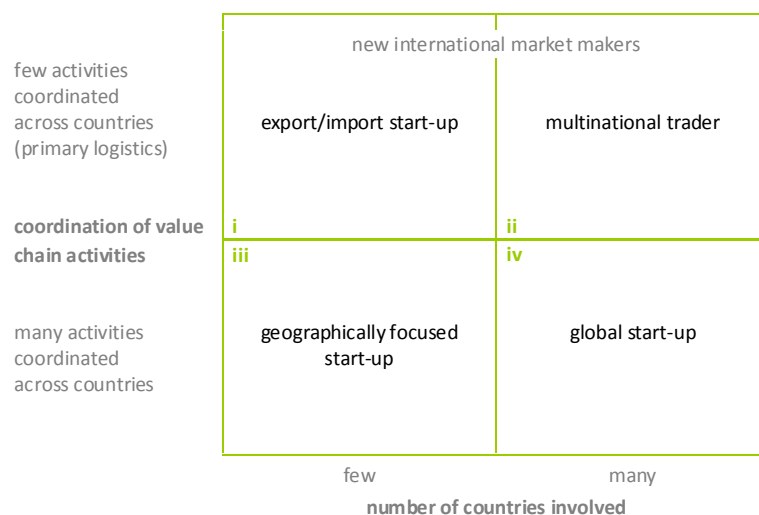
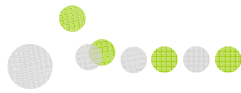


Figure 3.10 – Types of international new ventures

Source: Oviatt and McDougall (1994)

More recently, these same authors (Oviatt & McDougall, 1999) have proposed another conceptual framework for developing a dynamic theory explaining accelerated international entrepreneurship. According to this new approach, while rapidly changing computer, communication and transportation technology is the foundation of this process, a number of political economy and industry conditions, together with firm effects and the role played by the management team, also constitute primary building blocks of this model.



Rialp, Rialp and Knigh (2005) conducted a literature review of 38 studies, published from 1993 to 2003, related to international new ventures, global start-ups and born-global firms. They presented the most relevant contributions and limitations found in the existing research, revealing that empirical research has tended to be far more abundant than theoretically oriented research. Also, they detected a few studies aimed at examining firms from a number of industries, not only high technology-based ones.

The main similarities between these studies, which relate to the accelerated internationalisation from inception or early firm internationalisation, are (1) the increasingly distinctive pattern of the internationalisation process of some small-and medium-sized firms compared to other type of businesses; and (2) the formation process of a rising number of new ventures, capable of competing almost globally from inception, seem to be largely inconsistent with some traditional theories, namely the stage models. Instead, the studies suggest that these models should be extended and complemented with other perspectives derived from risk/global strategic management and entrepreneurship, namely the network theory, which has proved to be very insightful for explaining specific international development patterns of highly entrepreneurial ventures (the network approach is developed in section 3.3.3.3).

The major divergence of the studies, in terms of findings and conclusions, refers to the manifestation of early internationalising firms in multiple sectoral settings versus the association with high-tech industries only. Explanation for this controversial empirical fact can be found in Andersson and Wictor (2003) and Madsen and Servais (1997), who believe that born-globals, originated in countries with large home markets, are mostly in high-technology sectors, while born-globals in smaller countries are more often found in other sectors.

From the research carried out on born globals, it can thus be concluded that some firms can internationalise very quickly, despite their small size, limited resources, lack of market experience, acting in most volatile markets. From inception, these enterprises view the world as their marketplace, leapfrogging into internationalisation rather than move



cautiously through a series of incremental steps as suggested by the stage theories (McDougall, Oviatt, & Shrader, 2003).

### 3.3.3.3 Network approach to internationalisation

A study conducted by Coviello and Munro (1995), aimed at software SMEs in New Zealand, also revealed that these enterprises had not followed the traditional internationalisation stage model. They had internationalised rapidly by associating themselves with other international networks of enterprises in their field. The selection of foreign markets as well as the choice of the mode of entry had been prompted by opportunities as a result of formal and informal contacts and not by active research methods.

The relevance of networks for firms' internationalisation had been documented previously in the literature, being a natural evolution of the Nordic School of thought. Johanson and Vahlne (1990) had revised their previous model (Johanson & Vahlne, 1977) to propose the importance of the firm in its network. In a more recent publication they concluded that, although the old models still apply, it is important to integrate the network-based model into existing theories of firm internationalisation (Johanson & Vahlne, 2003).

This approach had its roots on the importance of the relationship between all agents of the value chain, popularised by Håkansson (1982; 1987) in his interactive approach on the Industrial Marketing and Purchasing Model (IMPM), which was afterwards used by other authors to address partnerships among firms (Easton, 1992; Håkansson & Johanson, 1984, 1988, 1992; Håkansson & Snehota, 1995; Lamming, 1993). The IMPM sustains the fact that agents of the value chain and the environment in which business is conducted affect the way in which firms interact. In this sense, the complementarities between them enable the creation of a network of relationships in which the internationalisation takes place when the network is extended abroad (Moreira, 2007).

The first call to draw upon network theory in international business was made by Johanson and Mattsson (1988), who had put forward the network approach to internationalisation, having concluded that the degree of the firm's internationalisation depends on both the



networks established by the firm and the position of the firm on that network. Therefore, the firm's international position is affected by the network in which it operates. These authors define internationalisation as developing networks of business relationships in other countries through three stages: (1) extension, which refers to investments in networks that are new to the firm; (2) penetration, which means developing positions and increasing resource commitments in networks in which the firm already has positions; and (3) integration, which is understood as the coordination of different national networks.

They thus conceive internationalisation as a cumulative process in which the relationships are established, developed, maintained and dissolved continuously in order to attain the objectives of the firm. In their model, the emphasis is on gradual learning and development of market knowledge through interaction within networks. The progressive learning and the acquisition of knowledge through the interactions inside the network are therefore of a great importance.

Johanson and Mattsson (1988) also created a typology of the level of internationalisation, categorising a firm's level of internationalisation into four different types, typified by distinct market environments: the early starter, the lonely international, the late starter and the international among others (Figure 3.11).

		Degree of internationalization of the market (the production net)	
		Low	High
Degree of internationalization of the firm	Low	<i>The early starter:</i> the firm, its competitors and suppliers have few important international relationships.	<i>The late starter:</i> the market is already internationalised. The company has indirect relationships with foreign business networks through its suppliers, customers and competitors.
	High	<i>The lonely international:</i> the enterprise is already highly internationalised but the market environment still has a domestic focus.	<i>The international among others:</i> the firm and its environment are both highly internationalised. The company is connected to various international networks that provide opportunities for obtaining external resources.

Figure 3.11 – The internationalisation typology of firms and networks

Sources: based on Chetty & Blankenburg Holm (2000) and Johanson & Mattsson (1988)





Several studies challenging traditional models of internationalisation have drawn upon network theory (e.g. Bell, 1995; Chetty & Campbell-Hunt, 2004; Chetty & Agndal, 2007; Chetty & Agndal, 2008; Chetty & Blankenburg Holm, 2000; Chetty, Eriksson, & Hohental, 2003; Coviello, 2006; Coviello & McAuley, 1999; Coviello & Munro, 1995, 1997; Forsgren, 1992, 2000, 2001; Forsgren, Holm, & Johanson, 2005; Forsgren & Johanson, 1992; Lindstrand, 2003a, 2003b; Madsen & Servais, 1997; McDougall et al., 1994; Oviatt & McDougall, 1995; Rasmussen et al., 2001). The network approach thus offers a new perspective for interpretation of the internationalisation process of the firm, particularly SMEs, whose integration in networks is fundamental to their development, considering their limited resources. The next chapter will further expand the importance of networks, especially their role in the internationalisation process.

### 3.3.4 The future of internalisation theory

The theories mentioned in the previous sections attempt to explain the international production phenomenon and the existence and growth of the MNEs. From the review presented above, it is noticeable that classical theories are being questioned, mostly due to the polycentrism of the international economic power. Although they remain valid, they have been challenged as a consequence of the epistemological issues that the globalisation has posed on them (Moreira, 2007), given rise to new perspectives.

The traditional approaches, individually considered, thus fail to provide a complete explanation of the complex nature of the internationalisation process, however these different theoretical frameworks provide complementary views of the internationalisation. For this reason, Rialp and Rialp believe that “by viewing past contributions more integratively, and incorporating new research findings from the growing literature on foreign modes of entry and the network perspective, significant progress can be achieved in terms of theory development in this field” (2001, p. 69).

Figure 3.12 illustrates the evolutionary pattern of research focusing on internationalisation and future directions for promoting further theory development. The internationalisation literature has evolved over time to encompass (1) the analysis of transaction cost and



structural market imperfections in the context of FDI; (2) the examination of managerial learning and organisational commitment in the process of international expansion; (3) the consideration of multiple forms of foreign market entry available to the firm; and (4) the potential influence of formal and informal networks relationships on internationalisation (Rialp & Rialp, 2001, p. 72). By interrelating all aforementioned approaches, these authors propose a more holistic view of the process of business internationalisation, intending to derive a more general conceptualisation and a more sophisticated view, not just a single model which is limited by the size and/or resources of the firm whose behaviour it is designed to explain.

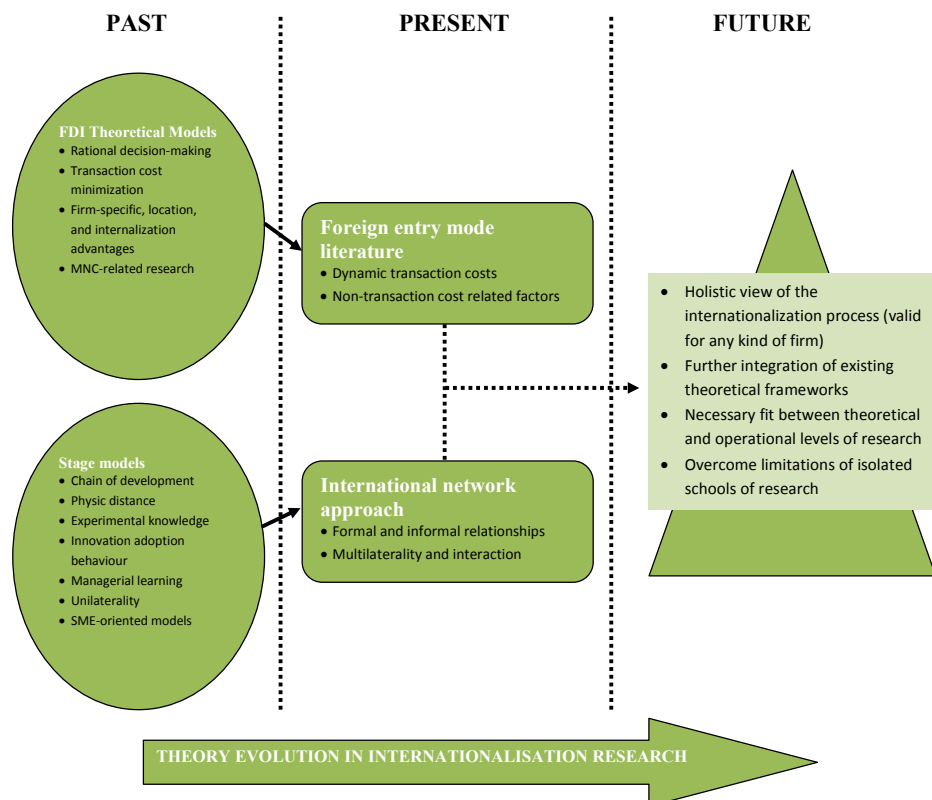


Figure 3.12 – Theory evolution in internationalisation research

Sources: based on Rialp & Rialp (2001)

Moreira (2007) also believes that a new theory is on the rise, which would include (1) Nation-States as major players with specific interests at local and global level; (2) SMEs willing to play active roles in global markets; (3) a mixture of the Uppsala and the process



model in the process of SME-MNC involvement in global value chains; and (4) a new blend of the eclectic paradigm that involves the three aforementioned aspects (2007, p. 21).

### 3.4 Determinants and barriers to internationalisation

Foreign investment has long been a subject of interest, but, as seen in the previous sections, has received a renewed interest in recent years because of the strong expansion of world FDI flows since the 1980s. This expansion has made FDI even more important than trade as a vehicle for international economic integration. A large number of theoretical explanations on FDI have been advanced over the years, with many studies focusing on the determinants of such investment, in the form of firm-specific or country-specific variables.

In the 1960s, some scholars working on the determinants of FDI gave emphasis on locational variables (Bandera & White, 1968; Scaperlanda & Mauer, 1969; Vernon, 1966, 1974; Wells, 1972). In the mid-1970s, apart from research on the internationalisation process of firms (Johanson & Vahlne, 1977), attention shifted from the macroeconomic flows of FDI to the firm level of analysis. The main focus of interest was essentially why firms choose to set up or acquire foreign value-adding activities, rather than export the intangible assets, or the right to use these assets, underpinning such activities directly to foreign firms (Buckley & Casson, 1976; Hennart, 1977, 1982, 1986a, 1986b, 1987, 1991b; McManus, 1972; Rugman, 1980b, 1980c, 1981b, 1981c, 1982, 1985, 1986, 1987; Swedenborg, 1979).

Although the firm-specific determinants of international economic activity were still driving much academic research in the 1980s, this approach was complemented by a renewed interest in the spatial aspects of FDI, and of how these affect both the competitive advantages of firms and their modes of entry into, and expansion in, foreign markets. Dunning's eclectic paradigm (Dunning, 1998) much contributed to this, by integrating ownership, locational and internalisation variables into a single approach. In later contributions (Dunning, 2006; Dunning & Bansal, 1997), the role of institutions in the international business activity was considered and a cultural component was incorporated into the paradigm, hypothesising about how this might affect the ownership and internalisation advantages of firms, and their response to the characteristics of countries.



Dunning's initial model suggested three main motivations of international production: market seeking, in which the ownership advantage defines the investment location; resource seeking, which considers market size and other characteristics at home and in the host country to get access to production resources; and efficiency seeking, which looks at economies of scale and scope, risk reduction through product diversification, and taxation (Dunning, 1998). Later on, Dunning (1994) added another FDI motivation – strategic asset seeking – for sequential FDI. The aim of the strategic asset seeking investment is to acquire resources that are important to enhance the capabilities of the firm.

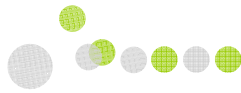
Using these four motivations, Dunning (1998) studied the variables influencing the location of value added activities by MNEs in the 1970s and 1990s (Table 3.4). According to the author, four main findings were unveiled: (1) the changing role of spatial transaction costs, reflecting the liberalisation of cross-border markets and the changing characteristics of economic activity; (2) the complementary foreign assets and capabilities are increasingly of a knowledge-facilitating kind; (3) the locational needs of corporations have shifted from those to do with access to markets, or to natural resources, to those to do with access to knowledge-intensive assets and learning experiences, which augment the existing ownership specific advantages; (4) much of the recent FDI in developing countries is prompted either by traditional market-seeking motives or by the desire to take advantage of lower (real) labour costs, and/or the availability and price of natural resources (Dunning, 1998, p. 52-54). Nevertheless, even in developing countries, the physical and human infrastructure, combined with the macroeconomic environment and institutional framework, tend to play a more decisive role than before.



Table 3.4 – Variables influencing the location of value added activities by MNEs in the 1970s and 1990s

Type of FDI	In the 1970s	In the 1990s
<b>A. Resource seeking</b>	<ol style="list-style-type: none"> <li>1. Availability, price and quality of natural resources.</li> <li>2. Infrastructure to enable resources to be exploited, and products arising from them to be exported.</li> <li>3. Government restrictions on FDI and/or on capital and dividend remissions.</li> <li>4. Investment incentives, e.g., tax holidays.</li> </ol>	<ol style="list-style-type: none"> <li>1. As in the 1970s, but local opportunities for upgrading quality of resources and the processing and transportation of their output is a more important locational incentive.</li> <li>2. Availability of local partners to jointly promote knowledge and/or capital-intensive resource exploitation.</li> </ol>
<b>B. Market seeking</b>	<ol style="list-style-type: none"> <li>1. Mainly domestic, and occasionally (e.g., in Europe) adjacent regional markets.</li> <li>2. Real wage costs: material costs.</li> <li>3. Transport costs; tariff and non-tariff trade barriers.</li> <li>4. As A3 above, but also (where relevant) privileged access to import licenses.</li> </ol>	<ol style="list-style-type: none"> <li>1. Mostly large and growing domestic markets, and adjacent regional markets (e.g., NAFTA, EU etc.).</li> <li>2. Availability and price of skilled and professional labour.</li> <li>3. Presence and competitiveness of related firms, e.g., leading industrial suppliers.</li> <li>4. Quality of national and local infrastructure, and institutional competence.</li> <li>5. Less spatially related market distortions, but increased role of agglomerative spatial economies and local service support facilities.</li> <li>6. Macroeconomic and macro-organizational policies as pursued by host governments.</li> <li>7. Increased need for presence close to users in knowledge-intensive sectors.</li> <li>8. Growing importance of promotional activities by regional or local development agencies.</li> </ol>
<b>C. Efficiency seeking</b>	<ol style="list-style-type: none"> <li>1. Mainly production cost related (e.g., labour, materials, machinery, etc.).</li> <li>2. Freedom to engage in trade in intermediate and final products.</li> <li>3. Presence of agglomerative economies, e.g., export processing zones.</li> <li>4. Investment incentives, e.g., tax breaks accelerated depreciation, grants, subsidised land.</li> </ol>	<ol style="list-style-type: none"> <li>1. As in the 1970s, but more emphasis placed on B2, 3, 4, 5 and 7 above, especially for knowledge-intensive and integrated MNE activities, e.g. R&amp;D and some office functions.</li> <li>2. Increased role of governments in removing obstacles to restructuring economic activity, and facilitating the upgrading of human resources by appropriate educational and training programs.</li> <li>3. Availability of specialized spatial clusters, e.g., science and industrial parks, service support systems etc.; and of specialized factor inputs. Opportunities for new initiatives by investing firms: an entrepreneurial environment, and one which encourages competitiveness enhancing cooperation within and between firms.</li> </ol>
<b>D. Strategic asset seeking</b>	<ol style="list-style-type: none"> <li>1. Availability of knowledge-related assets and markets necessary to protect or enhance 'O' specific advantages of investing firms – and at the right price.</li> <li>2. Institutional and other variables influencing ease or difficulty at which such assets can be acquired by foreign firms.</li> </ol>	<ol style="list-style-type: none"> <li>1. As in the 1970s, but growing geographical dispersion of knowledge-based assets, and need of firms to harness such assets from foreign locations, makes this a more important motive for FDI.</li> <li>2. The price and availability of "synergistic" assets to foreign investors.</li> <li>3. Opportunities offered (often by particular sub-national spatial units) for exchange of localized tacit knowledge, ideas and interactive learning.</li> <li>4. Access to different cultures, institutions and systems; and different consumer demands and preferences.</li> </ol>

Source: Dunning (1998)



A fifth category was added by Hansson and Hedin (2007), who expanded the four dimensions of internationalisation motives to include network seeking motives. They concluded in their empirical work that the member companies of Swedish incubators and science parks responded positively to network seeking motives, especially to two categories: starting new collaborations and staying close to main clients or suppliers. Their work was triggered by the increased interest among researchers to study the significance of business networks. Even though Dunning did not consider network-seeking motives as a separate category, he had shown an interest in alliance capital as an asset within a network (Dunning, 1995). He argued that external alliances and networks can be incorporated into internalisation if it is acknowledged that inter-firm agreements achieve the same objective as internalisation, albeit more effectively, and /or spread the capital and other risks among participating firms.

The large number of works trying to explain FDI has resulted in the adoption of several different methodologies, thus making it difficult to obtain precise data on some determinants (Costa, 2003). Despite its limitations, the OLI eclectic paradigm is still regarded as a comprehensive framework and widely used as reference in studies on FDI determinants.

Figure 3.13 illustrates Rugman' (1981a) matrix, used for positioning various conceptual approaches to the analysis of international business activities. The horizontal axis examines firm-level specific advantages (FSA), while the vertical axis refers to country factors (CSA). According to Rugman and Verbeke (2008), this can be reconciled with the OLI eclectic paradigm: the location variable (L) is consistent with CSA, while the ownership (O) and internalisation (I) aspects are integrated features of FSA that cannot be decoupled in strategic decision making.

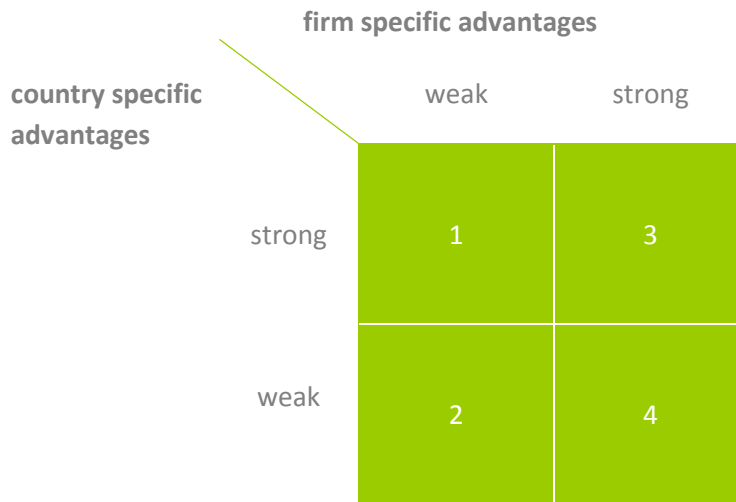
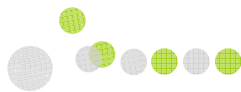


Figure 3.13 – The FSA-CSA framework

Source: adapted from Rugman (1981a)

Foreign investment location decisions are thus influenced by a number of country-specific variables (country of origin and destination), namely market size and growth (Agarwal & Ramaswami, 1992; Chung & Enderwick, 2001; Dunning, 1973; Green & Cunningham, 1975; Nakos & Brouthers, 2002); tariff and non-tariff barriers to trade, input costs and geographic proximity (Lösch, 1967); legal, political and economic conditions (Buckley & Geyikdagi, 1996; Kobrin, 1979; Thunel, 1977); cultural and psychic distance (Aharoni, 1966; Chen & Hu, 2002; Johanson & Vahlne, 1977; Leung, Rigby, & Young, 2003; Linder, 1962; López-Duarte & García-Canal, 2002; Ojala, 2008; Vernon, 1971); labour costs, labour availability and industry mix (Boudier-Bensebaa, 2005; Taylor, 1993); foreign exchange rate and host country currency (Baek & Kwok, 2002); and political risk and environmental uncertainty (Cho, 2005; López-Duarte & García-Canal, 2002). Government investment support schemes (Rolfe, Ricks, Pointer, & McCarthy, 1993) and immigration (Chung & Enderwick, 2001) are also considered by corporate decision makers. Firm-specific characteristics can also act as determinants of FDI location patterns, namely its international experience (Davidson, 1980; King & Tucci, 2002; Reuber & Fischer, 2003); firm size (Leung et al., 2003; Nakos & Brouthers, 2002), degree of multinationality and industry (Dunning, 1998). The transfer of know-how and technology (Mattoo, Olarreaga, & Saggi, 2001), the presence of an existing subsidiary (Davidson, 1980), economies of scale, pre-emption of potential competitors, the availability of a well-trained labour force



(Konopaske, Werner, & Neupert, 2002), new networks of suppliers for global sourcing, and various industry barriers and firm advantages are also factors affecting location (Chen & Hennart, 2002; Siripaisalpipat & Hoshino, 2000).

Table 3.5 – Variables affecting FDI

variable	direction of effect	empirical findings	empirical studies
market size (GDP or GDP per capita)	+	+	Tsai (1994), Shamsuddin (1994), Billington (1999), Pistorresi (2000), Cheng and Kwan (2000), Tuman and Emmert (1999), Wang and Swain (1995), Love and Lage-Hidalgo (2000)
wages	+/-	+/-/0	Wheeler and Mody (1992), Pistorresi (2000), Tsai (1994), Cleeve (2000), Lunn (1980), Culem (1988), Blonigen and Feenstra (1996), Cheng and Kwan (2000), Moore (1993)
trade barriers	-	+/-/0	Lunn (1980), Culem (1988), Blonigen and Feenstra (1996)
growth rate	+	+/0	Billington (1999), Tsai (1994), Martin and Ottaviano (1999), Sin and Leung (2001)
openness	+	+/0	Kravis and Lipsey (1982), Pistorresi (2000), Wheeler and Mody (1992), Gyapong and Karikari (1999), Sin and Leung (2001)
trade deficit	?	+/-	Tsai (1994), Shamsuddin (1994), Pistorresi (2000)
exchange rate	+/-	+/-/0	Edwards (1990), Blonigen and Feenstra (1996), Tuman and Emmert (1999)
tax	-	+/-/0	Swenson (1994), Billington (1999), Porcano and Price (1996), Wei (2000), Schoeman et al. (2000), Hines (1996)
country risk	-	-	Lehmann (1999), Ramcharan (1999), Tuman and Emmert (1999)
incentives	+	+	Ihrig (2000)
corruption	-	-	Wei (2000)
labour disputes and unionisation	-	+/-	Moore (1993), Tcha (1998), Yang et al. (2000), Leahy and Montagna (2000), Zhao (1995, 1998)
cost of capital	-	+	Love and Lage-Hidalgo (2000)
inflation	-	-	Schnieder and Frey (1985), Bajo-Rubio and Sosvilla-Rivero (1994), Yang et al. (2000)

Note: 0 implies statistically insignificant effect

Source: adapted from Moosa & Cardak (2006)

Table 3.5 lists several empirical studies that tested some of the variables influencing decision on foreign investment, indicating theoretical and empirical directions of their effect. These studies have considered different combinations of the variables, getting mixed results, not only with respect to the importance of these variables (statistical



significance), but in terms of the direction of the effect. For a fairly good review on the literature that empirically examines the foreign direct investment decisions of multinational enterprises (MNEs) and the resulting aggregate location of FDI across the world, see Blonigen (2005).

### 3.5 Forms of international operation

There is a variety of ways in which organisations can enter foreign markets, however they can be classified in two main forms: equity-based and non-equity-based. Non-equity modes are divided into export and contractual agreements, while equity modes are split into wholly owned operations and equity joint ventures (Table 3.6). Each of these options implies differences in the degree of control that the firm can exercise over the foreign operation, the resources it must commit and the profits it could potentially obtain (Root, 1998), thus each of them having a diverse set of advantages and disadvantages (Table 3.7).

Table 3.6 – Forms of international operation

non-equity forms	export	<ul style="list-style-type: none"> <li>indirect</li> <li>direct</li> </ul>
	contractual agreements	<ul style="list-style-type: none"> <li>licensing</li> <li>franchising agreement</li> <li>management contract</li> <li>industry supply contract</li> <li>technical assistance contract</li> <li>engineering services contract</li> <li>outsourcing manufacturing contract</li> <li>alliances</li> </ul>
equity forms		<ul style="list-style-type: none"> <li>joint-venture</li> <li>sole-venture</li> </ul>

Source: adapted from Root (1998)

The greater the degree of control exercised by the firm over the foreign operation, the higher the risk assumed due to the increased responsibility in decision making and to the greater commitment of resources and, therefore, the medium term profits also tend to be greater. In the opposite direction, the methods that imply a low level of control minimise the risk assumed, but often at the expense of the medium term profits.



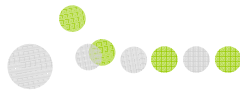


Table 3.7– Advantages and disadvantages of different entry modes

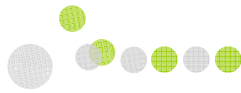
	advantages	disadvantages
<b>direct export</b>	<ul style="list-style-type: none"> <li>the manufacturing is home-based, thus it is less risky than overseas-based</li> <li>it does not need big investments and eventually permits reaching scale economies in what concerns the establishment of contacts with costumers</li> <li>gives an opportunity to ‘learn’ overseas markets before investing</li> </ul>	<ul style="list-style-type: none"> <li>lack of control over local distribution channels</li> <li>exposure to currency risks and eventual protectionist measures</li> </ul>
<b>indirect export</b>	<ul style="list-style-type: none"> <li>it is cheaper than direct export since the firm does not need to take care of all the export-related formalities</li> <li>extensive market coverage</li> <li>low risk</li> </ul>	<ul style="list-style-type: none"> <li>lack of control over local distribution channels</li> <li>exposure to currency risks and eventual protectionist measures</li> <li>lack of control over operations</li> <li>dependant on agents’ loyalty</li> </ul>
<b>licensing</b>	<ul style="list-style-type: none"> <li>limited investment/cost</li> <li>allows rapid access to protected markets on imports (through tariffs or captive distribution cannels) or where FDI flows are restricted</li> <li>way to start in foreign operations and open the door to low risk manufacturing relationships</li> <li>linkage of parent and receiving partner interests means both get most out of marketing efforts</li> </ul>	<ul style="list-style-type: none"> <li>licensee’s technical and marketing difficulties</li> <li>potential returns from marketing and manufacturing may be lost</li> <li>loss of control over technology and market to potential competitors (licensees)</li> <li>contractual and monitoring costs</li> <li>risk of dissipation of other proprietary advantages, such as the firm’s image</li> <li>requires considerable fact finding, planning, investigation and interpretation</li> </ul>
<b>equity joint-ventures</b>	<ul style="list-style-type: none"> <li>shared risk and investment</li> <li>less competition</li> <li>synergies and learning from partners</li> <li>allows overcoming insufficiencies in intermediate input markets</li> <li>scale economies</li> <li>easier adaptation to the business characteristics of partners’ country</li> <li>ability to combine the local in-depth knowledge with a foreign partner with know-how in technology or process</li> </ul>	<ul style="list-style-type: none"> <li>dilution/diminution of management control</li> <li>share of profits or losses</li> <li>communication, coordination and organisation difficulties</li> <li>disagreements on objectives, third markets to serve, expected benefits and resource commitment</li> <li>agreement reversibility and opportunistic behaviour</li> <li>difficulty in recovering capital if need be</li> </ul>
<b>greenfield investments</b>	<ul style="list-style-type: none"> <li>impact of the direct presence in the target market</li> <li>the scale of operation can be adapted according to the availability of resources, the culture of the parent firm and to the target market</li> <li>facilitated control</li> <li>access to subsidies and fiscal incentives</li> </ul>	<ul style="list-style-type: none"> <li>compromise with relatively high initial investments</li> <li>high level of risk of non-acceptance by potential clients and other risks</li> <li>slow market penetration</li> </ul>
<b>mergers and acquisitions</b>	<ul style="list-style-type: none"> <li>potentially less costly and less risky in the long term than greenfield investment</li> <li>faster and easier entrance (entrance barriers) in new (diversification) market(s)</li> <li>gain of market power and elimination of competition</li> <li>innovation substitute</li> </ul>	<ul style="list-style-type: none"> <li>price and type of assets can be misadjusted</li> <li>sometimes synergies can be overestimated</li> <li>complexity in the search of the target and in negotiations</li> <li>inheritance of the problems of the acquired company and integration difficulties of different organisational cultures</li> <li>restructuring needs</li> <li>limitations to the expansion into other lines of business</li> <li>undefinition / profit share</li> <li>lost of control</li> <li>dissipation risk</li> <li>transfer costs</li> <li>contractual, coordination and monitoring costs</li> </ul>
<b>cooperative contractual forms</b>	<ul style="list-style-type: none"> <li>flexibility</li> <li>hasty entrance</li> <li>share of risk, knowledge and other resources</li> <li>mutual commitment</li> <li>synergies</li> <li>elimination of potential competitors</li> </ul>	

Source: based on Buckley, Pass, &amp; Prescott (1992)



Exporting is the most traditional and well-established form of operating in foreign markets, involving the marketing of goods produced in one country into another. Whilst no direct manufacturing is required in an overseas country, a significant investment in marketing is required. Exports can be categorised as indirect or direct. Indirect methods of exporting require less marketing investment, but the firm loses substantial control over the marketing process (U.S. Department of Commerce & Unz & Co., 1998). With direct exporting, every aspect of the exporting process is handled, thus requiring substantial resources and significant commitment. On the other hand it implies more control over the exporting process, potentially higher profits and a closer relationship with the overseas market (U.S. Department of Commerce & Unz & Co., 1998). Direct export may be managed in four ways: (1) domestic-based export department or division, (2) overseas sales branch or subsidiary, (3) travelling export sales representatives, and (4) foreign-based distributors or agents (Kotler & Keller, 2006).

There are several ways to enter a foreign market through contractual agreements, but the major ones are licensing, management contracts and franchising. Licensing consists of an agreement, between firms of different countries, whereby one of them agrees to permit the other to use manufacturing, processing, trademark, patent, know-how or other skills, in exchange of a fee or royalty. For the licensor firm, the advantage of this is entering a new market at little risk, however some control is lost, and the licensee may turn into a competitor when the license terminates. For the licensee it is also beneficial as it can gain production expertise, or a well-known product or brand name, but on the other hand profits may given up if the licensee is very successful (Kotler & Keller, 2006). Through franchising agreements, the firm entering a foreign market receives royalties from the host-country collaborator and supply-chain mark-ups, and in exchange it leases its brand name and provides marketing support, technical advice and training. In management contracts, the foreign entrant may receive some combination of royalties, supply chain mark-ups, management fees, and a share of profits. Besides leasing its brand name, it also secures a contract to provide extensive onsite technical and management support, while in most franchising agreements the franchiser typically enjoys some strategic control but relatively little operational control (Erramilli, Agarwal, & Dev, 2002).



Direct equity investment can be accomplished through a joint-venture, which refers to the establishment of a firm that is jointly owned by two or more independent firms, or through a sole venture, which happens when the firm owns 100 percent of the stock either by setting up a new operation in a country (greenfield investment) or by acquiring an established firm (brown field investment). It implies that the investor exerts a significant degree of influence on the management of the subsidiary enterprise in the host country. The management dimension is what distinguishes FDI from other forms of investment, such as foreign portfolio investment (FPI), which includes equity and debt securities, and financial derivatives.

The concept of FDI, partly due to the complex nature of this phenomenon, has however changed considerably over time. One of the earliest definitions can be found in an inward investment survey conducted by the US Department of Commerce, aiming to measure “all foreign equity interests in those American corporations or enterprises which are controlled by a person or group of persons [...] domiciled in a foreign country” (US Department of Commerce, 1937, p. 10, cited in Lipsey, Feenstra, Hahn, & Hatsopoulos, 1999). Although no specific definition of control was provided, it was the main criterion for the foreign inward investment classification.

A more recent definition is provided by the IMF, which is consistent with the definitions of the OECD (1996) and UNCTAD (2003).

“Foreign direct investment reflects the objective of obtaining a lasting interest by a resident entity in one economy (‘direct investor’) in an entity resident in an economy other than that of the investor (‘direct investment enterprise’). The lasting interest implies the existence of a long-term relationship between the direct investor and the enterprise and a significant degree of influence on the management of the enterprise. Direct investment involves both the initial transaction between the two entities and all subsequent capital transactions between them and among affiliated enterprises, both incorporated and unincorporated.” (IMF, 1993, p. 93; OECD, 1996, pp. 7-8)

This definition has shifted its emphasis away from the idea of ‘control’, towards a ‘much vaguer concept’ of ‘lasting interest’ (Lipsey, 2003). Contrary to the common belief that the investor needs to control the foreign enterprise, this definition considers the degree of influence exercised through the transactions between a parent company and its foreign affiliate as the main determinate in the definition of FDI. The aim to have influence over



the target company, as well as the fact that not just capital but also other resources are being transferred within a firm, rather than externally between firms, are the distinctive features of foreign direct investment in comparison with foreign portfolio investment (Dreyhaupt, 2006). Foreign direct investment involves the acquisition of a controlling interest (typically defined as at least 10 percent ownership) in productive assets in another country, while portfolio investment includes purchases of foreign bonds, currencies, and stocks in amounts that do not provide control (Blonigen, 2008).

The most common manifestation of foreign investment is through MNEs or transnational corporations (TNCs), which aim to maximise their return on capital (Sen, 1998). These companies may be defined as “firms investing in more than one country and supplying more than financial capital; for example management, technology or marketing expertise” (Weiss, 1991, p. 77).

### 3.5.1 Entry mode decision

Firms interested in venturing in foreign markets face a difficult decision regarding the choice of the entry mode, being one of the most critical strategic decisions for MNEs (Root, 1998), given that it affects future decisions and performance in foreign markets. It also entails a concomitant level of resource commitment, thus the initial choice can be difficult to change without considerable loss of time and money (Agarwal & Ramaswami, 1992). To engage in international operations, firms have to select among a number of different modes to penetrate foreign markets. These have been usually classified based on the level of risk, return characteristics, degree of control, and resource availability and commitment (Anderson & Gatignon, 1986). Entry mode choices are often a compromise among these various strategic options (Agarwal & Ramaswami, 1992). Figure 3.14 illustrates the existence of a certain trade-off between the degree of control and operational risk desired in foreign operations and the volume of resources committed by the firm at any specific moment.

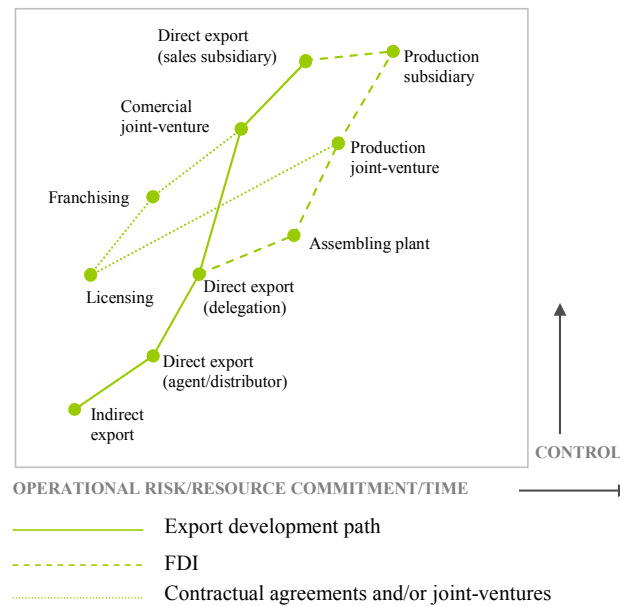
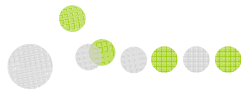


Figure 3.14 – Evolution in a manufacturer's decision on foreign modes of entry

Source: Rialp & Rialp (2001)

According to Agarwal and Ramaswami (1992), the (a) exporting mode is a low resource (investment) and consequently low risk return alternative. This mode, while providing a firm with operational control, lacks in providing marketing control that may be essential for market seeking firms. The (b) sole venture mode, on the other hand, is a high investment and consequently high risk return alternative that also provides a high degree of control to the investing firm. The (c) joint venture mode involves relatively lower investment and hence provides risk, return, and control commensurate to the extent of equity participation of the investing firm. Finally, the (d) licensing mode is a low investment, low risk return alternative which provides least control to the licensing firm.

The OLI paradigm stipulated that the choice of an entry mode is influenced by three types of determinant factors: ownership advantages of the firm, location advantages of a market and internalisation advantages of integrating transactions within the firm (Figure 3.15). Several empirical studies have attempted to use this framework in explaining choice between different entry modes (Brouthers, Brouthers, & Werner, 1999; Caves, 1982; Cho, 1985; Costa, 2003; Dunning, 1980; Kimura, 1989; Kogut & Singh, 1988; Nakos & Brouthers, 2002).

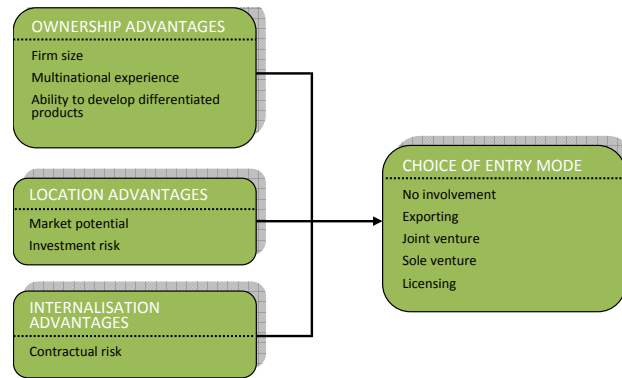


Figure 3.15 – Entry choice factors

Source: Agarwal &amp; Ramaswami (1992) based on Dunning (1988a)

An entry mode selection model was also developed by Hill, Hwang and Kim (1990). Their research on market entry modes gave them the insight that much of the literature up to the 1990s focused on listing considerations without the identification of underlying constructs, with entry decisions being treated in isolation (ProvenModels, 2008a). Convinced that a unified framework existed, they categorised the actors that influence a firm's decision for a particular market entry mode into three underlying constructs: strategic, environmental and transaction variables (Figure 3.16).

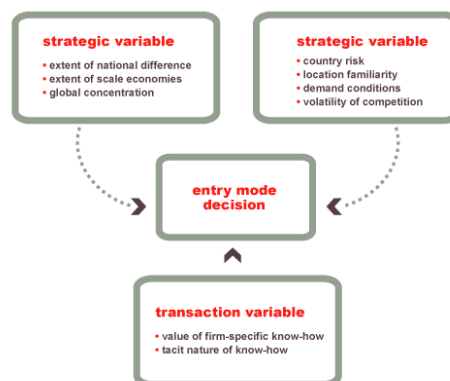
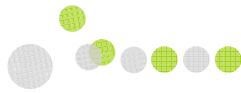


Figure 3.16 – Entry mode selection model

Source: ProvenModels (2008a), based on Hill et al.(1990)

As seen before, several studies have identified the influence of different factors in the internationalisation of firms, while others go beyond and determine the influence of those factors in the choice of an entry mode. Major findings related to the influence of a number of these factors are presented below.



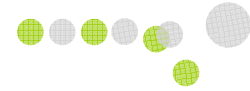
### Country or market-specific factors

#### » risk of the destination country

When risks, such as political instability, expropriation, inconvertibility of the currency, are high, firms usually seek forms of operation that require lesser degree of control and lower resource commitments, thus allowing to abandon the country, if necessary, without substantial losses (Agarwal & Ramaswami, 1992; Kim & Hwang, 1992). Gatignon and Anderson (1988) also suggest that equity investment modes are less likely when country risk is high. This means that firms tend to prefer to operate through licences or joint-ventures rather than through investments involving full ownership (Pla-Barber & Darder, 2002; 2002).

#### » cultural distance

Cultural differences can influence perceptions of transaction costs in two opposite ways. Several studies have evidenced the preference of licences and joint ventures over the creation of subsidiaries in situations where the psychological distance is greater (Davidson, 1980; Gatignon & Anderson, 1988; Kim & Hwang, 1992; Kogut & Singh, 1988), given the fact that the firm is not familiar with business practices, the culture, the economic system, among others, thus needing help from local partners. However, other authors defend that, in different cultural settings, firms tend to opt to internalise operations (Shane, 1994), with the preference for modes of entry that imply greater control (Pla-Barber & Darder, 2002; 2002), especially foreign direct investment, as in an unknown environment firms tend to not trust entirely on local management (Hymer, 1976). This might be due to the difficulties of obtaining and training local staff, and the transference of the firm's know-how or technology (Gatignon & Anderson, 1988). This is especially relevant in the case of service firms, given that firms need to ensure that the service will be performed in accordance with the standards required by the parent company (Erramilli, 1990; Erramilli & Rao, 1993). Other studies also focused on service companies demonstrate that knowledge about the target market is a decisive element in the choice of more aggressive ways on entering foreign markets (Erramilli & Rao, 1990).



## » market size and growth

Host country's market potential is regarded to be among the most important determinants of FDI (Aharoni, 1966). The market potential is associated with the use of modes of entry that imply a greater degree of commitment and control (Pla-Barber & Darder, 2002). In foreign markets with low potential or high demand uncertainty, firms tend to commit less resources (Ekeledo & Sivakumar, 1998).

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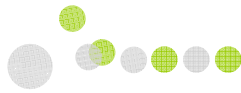
## » level of economic development

Young, Hamill and Wheeler (1989) defended the idea that FDI is more frequent in highly competitive markets, especially when located in the more developed markets. However, empirical studies have shown that non-equity modes of entry are preferred in high income nations, and equity investment in low income nations (Contractor & Kundu, 1998b). This might be a result of (a) the higher costs of adaptation and knowledge transfer in less developed nations; (b) the weak enforcement over brand and other intellectual property issues; and (c) the weaker competition in emerging markets, faster growth, and higher returns and profits (Dunning & McQueen, 1981).

## » foreign business investment penetration

In countries which have open door policies with respect to international investment and trade and a high penetration of FDI, foreign firms tend to opt for higher control and equity-based modes (Dunning & McQueen, 1981). Possible explanations involve a “follow the client” abroad hypothesis, based on the assumption that global hotel chains draw an appreciable fraction of their clientele from international business travellers (2002). Hence, in countries whose economies are more open to international investment and trade, there should be a greater incidence of international business travellers, however, the counter-argument would be that not all hotel clients are business clients. In fact, other authors defend that in these countries, where local agents in administration and organisational capabilities are more experienced (Caves, 1982), there will be a tendency to increase the use of franchises due to the greater possibilities of finding well-prepared partners to assume a transfer of knowledge (Agarwal & Ramaswami, 1992; Kogut & Singh, 1988; Stopford & Wells, 1972).





### Firm-specific factors

#### » firm size

Evidence from some studies reveals that firm size has an impact on entry choice, with bigger firms committing to higher levels of commitment (Erramilli & Rao, 1993). Smaller firms, which lack the resources or expertise to venture into foreign markets, would prefer shared control modes (Pla-Barber & Darder, 2002). This is because the creation of owned subsidiaries abroad is a risky option and needs a great volume of resources, and, therefore, it is not something that is always within the reach of small firms. Therefore, the limitation faced by small firms with regard to the availability of financial and human resources implies the need for them to use methods based on the minimisation of risk and commitment (Acs, Morck, Shaver, & Yeung, 1997). Small firms thus tend to use partnerships to internationalise, relying on larger partners to give them the scale and scope (1997). Gomes-Casseres (Gatignon & Anderson, 1988) concludes that not all small firms follow this strategy: when firms are small relative to their rivals and to their market, they tend to use alliances to gain economies of scale and scope; when they are large in relative terms, they avoid alliances. Nonetheless, other studies suggest that these assumptions may not apply to several service sectors, especially the hotel business, where the advantages of size may be derived by a global network of partnerships and alliances (Contractor & Kundu, 1998b), because the size of global operations will force even large firms to accept partners to share in the large total investment and large coverage of a global network (Contractor & Kundu, 1998b; Johanson & Vahlne, 1977; Johanson & Wiedersheim-Paul, 1975).

#### » international experience and degree of internationalisation

According to the internationalisation stage model approach, there is a positive relation between international experience and the adoption of modes of entry with a higher degree of control, given that the lack of knowledge about foreign markets is an important obstacle to developing international operations (1991). For this reason, firms prefer to start their international activity with methods of entry that imply a low level of commitment. Taking a more cautionary approach, Erramilli (Fladmoe-Lindquist & Jacques, 1995; 2002) suggests that the relationship between international experience and the desire for control modes may be U-shaped. Other authors, however, defend a non-traditional view that states



that the more international experience a firm has, the better it will be at evaluating its local partners behaviour and will therefore see the advantage of using a different entry mode (1997).

#### Relational factors

##### » network relationships

Coviello and Munro (1989) argue that network relationships affects firm's internationalisation and the choice of entry mode. Foreign market selection and entry initiatives emanate from opportunities created through network contacts, rather than solely from the strategic decisions of managers in the firm. Comes-Casseres (1997) stressed the virtue of partnerships in culturally unfamiliar environments as providing the global company with local knowledge.

#### 3.6 Internationalisation of services

Traditionally, the theoretical framework of internationalisation has been developed using the context of manufacturing firms. Despite the importance of services in the world economy and the present trend toward internationalisation, the amount of research on the internationalisation of services is relatively small. International services have been relatively neglected in the international business/marketing literature, theory thus lagging practice by a considerable degree. Nonetheless, as the active involvement of service firms in international markets has been gradually recognised, there has been a growing interest in internationalisation on services, both in conceptual terms (Daniels, 1995; Weinstein, 1977) and in empirical studies. Frequently these studies are based on several service industries, but they can also be industry-specific (Table 3.8).

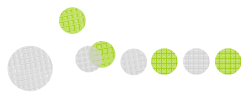


Table 3.8 – Empirical studies on service firms' internationalisation

sector		studies
professional-services	advertising	Amorim (2000, 2003); Coviello & Martin (1999); Sacramento, Almeida, & Silva (2002); Winsted & Patterson (1998)
	consultancy	Coe (2002); Kuivalainen, Kyläheiko, Puumalainen, & Saarenketo, (2001)
	ICT	Daniels, Thrift, & Leyshon (1989)
	accountancy	Kaynak & Dalgic (1992)
construction		Álvarez-Gil, Cardone-Riportella, Lado-Cousté, & Samartín-Sáenz, (2003); Claessens & Jansen (2000); Sebastián & Hernansanz (2000)
financial		Andersson (2002); Gandolfi & Štrach (2009)
retailing		Javalgi, Griffith, & White (2003)
business-to-business		Agndal & Elbe (2007); Altinay (2005); Björkman & Kock (1997); Pla-Barber & Darder (2002); Ramón Rodríguez (2000); Weiermair & Peters (1998); Zhao & Olsen (1997)
tourism		Blomstermo, Sharma, & Sallis (2006); Contractor, Kundu, & Hsu, (2003); Edvardsson, Edvinsson, & Nystrom (1993); Ekeledo & Sivakumar (2004); Erramilli (1990); Erramilli (1991, 1993); Erramilli & Rao (1993); Ganz (2006); Hassid (2003); Henten & Vad (2003); La, Patterson, & Styles (2003); O'Farrell & Wood (1998); O'Farrell, Zheng, & Wood (1996); Roberts (1999); Sánchez Peinado & Pla Barber (2006); Stare (2002); Westhead, Wright, Ucbasaran, & Martin, (2001)
various service industries		Hartman & Lindgren Jr (1993); Rathmell (1966); Regan (1963); Wolak, Kalafatis, & Harris (1998)

Source: own construction

Services differ from physical goods in a considerably large number of features, their main distinguishing characteristics being intangibility, heterogeneity, perishability, and inseparability of production and consumption (Agarwal & Ramaswami, 1992; Terpstra & Yu, 1988; Weinstein, 1977). Even though there are some studies that support the generalisation of entry mode determinants to services (Erramilli, 1990; Erramilli, 1991; Erramilli & Rao, 1993), the differences in the nature of services are believed to create special internationalisation needs and behaviour (Buckley et al., 1992), thus not being reflected in the models derived from the observation and research of manufacturing firms (Björkman & Kock, 1997). The range of operation modes tends to be somewhat more limited for service firms than for manufacturing firms (Contractor et al., 2003), and even



among different types of services there are substantial differences in terms of foreign market entry modes and market selection (Ekeledo & Sivakumar, 1998) (Table 3.10).

Table 3.9 – Characteristics of manufactured goods, hard services and soft services

Product	Examples	Characteristics	Typical entry mode options
Manufactured goods	Toys, automobiles, and shoes	Tangibility, storability, separability, homogeneity	Licensing, exporting, foreign manufacturing agreement, joint venture, sole ownership
Hard services	Computer software, advertising, and equipment leasing	Intangibility, storability, separability, homogeneity, depends on a physical object for storage and export	Licensing, exporting, management contract, joint venture, sole ownership
Soft services	Restaurants, lodging (hotels), and health care (hospitals)	Intangibility, perishability, inseparability, heterogeneity	Franchising, management contract, joint venture, sole ownership

Source: Ekeledo & Sivakumar (1998)

Several authors have classified services according to their heterogeneous nature, therefore being possible to identify differentiated approaches to firms' internationalisation within services. Erramilli (1990) has adopted a classification of (1) hard services (eg. architectural design) and (2) soft services (eg. food services, accommodation). In the former category, production and consumption can be separated, thus entailing a limited or no local presence of the service firm, while in the later category the production and consumption occur simultaneously, thus requiring the presence of the firm in the local. In this sense, soft services are not able to be exported, requiring other modes of entry. According to this classification, manufactured goods and hard services do not differ significantly, however there are noticeable differences between hard services and soft services.

Patterson and Cicic (1995) offer a classification based on two levels of 'tangibility' of the service and two levels of 'face-to-face' contact with the client in service delivery: (1) low face-to-face and low tangibility – location-free professional services; (2) high face-to-face and low tangibility – location-bound customised projects; (3) low face-to-face and high



tangibility – standardised services packages; and (4) high face-to-face and high tangibility – value-added customised services.

Lovelock and Yip (1996) proposed the classification of services into three groups: (1) people-processing services (e.g. restaurants, health care), (2) possession-processing services (e.g. transportation, appliance repair) and (3) information-based services (e.g. accounting, insurance). These categories are not mutually exclusive and exhaustive for all services though.

Clark and Rajaratnam (1999) divided services into four different categories: (1) contact-based services (e.g. consultancy services); (2) vehicle-based services (e.g. broadcasting); (3) asset-based services (e.g. banks); and (4) object-based services (e.g. computer software). They consider contact-based services as the ‘purest’ type because they exhibit all the classic service characteristics, while the others exhibit them in varying degrees, thus with certain assumptions relaxed.

Generally speaking, service firms may enter foreign markets using a variety of entry modes, ranging from exporting to equity forms, with some types of service firms requiring the presence of the firm in the local of consumption, which is the case of some tourism firms, namely in the accommodation and food sectors. The choice of foreign market entry mode is critical and related to control (Blomstermo et al., 2006), therefore research concerning control and entry mode for internationalisation of services has been identified in the literature. Non-equity modes seem to be more popular among services than in manufacturing (Erramilli et al., 2002), especially among consumer-services firms (such as hotel and restaurant firms) as compared to professional-services firms (such as consulting firms) (Erramilli, 1990). Ball, Lindsay and Rose (2008) have however suggested that information-intensive soft service firms can use less resource-intensive market entry modes, thus not being restricted to internationalising through wholly owned subsidiaries and equity based joint ventures.

Service firms engaging in international activities can be ‘market seekers’, deciding to expand into foreign markets after gaining experience and financial resources in the



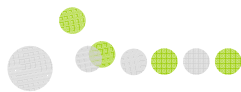
domestic market (Erramilli, 1990; Erramilli & Rao, 1993). According to Erramilli (1991), experience plays an important role in the foreign market entry behaviour of service firms, with empirical results showing support on models that depict a gradual outward spread of a firm's international operations. Results on entry mode choice imply that, contrary to traditional linear conceptualisations, the relationship between experience and desire for control may be U-shaped, with firms demand high-control modes in the early and late stages of their international evolution.

According to Björkman and Kock (1997), a service firm can adopt a 'costumer following' internationalisation process, with empirical studies evidencing that some firms follow client manufacturing companies into overseas markets, especially banking and insurance industries (Hellman, 1996; Li, 1994). Other studies have also shown the importance of inter-firm relationships, including client corporate networks, and the influence of regional conditions upon internationalisation (O'Farrell & Wood, 1998). Service firms can also internationalise as a reaction to the actions of a competing firm (Engwall & Wallenstål, 1988; Li, 1994). These patterns of internationalisation can find in the network perspective a useful theoretical framework, being argued that the context in which the actor is embedded constitutes a major factor in the internationalisation of service providing industries (Björkman & Kock, 1997).

### 3.7 Internationalisation in tourism

The development of international activities in the 1970s and 1980s (as presented in section 2.5) stimulated considerable academic interest and analysis. However, few studies have focused on the internationalisation of the tourism sector. Difficulties on obtaining information and data made rare the application of theories of the multinational enterprise to tourism (Buckley & Geyikdagi, 1996). Only recently tourism started to receive more attention from international business scholars, especially the hotel sector.

One of the first studies regarding this issue aimed at identifying the criteria established by international hotel companies to guide their expansion policies (Khanna, 1975). Another early study was conducted by the United Nations Economic and Social Council (UNESC, 1980) to the Centre on Transnational Corporations. It portrayed the developments in the



field in the 1970s, focusing on hotel, airlines and tour operations, and providing an overview of the impact of transnational corporations in those sectors, and on the development of the tourism industry in developing countries. Apart from the location, it also assessed the main entry modes chosen by the companies. Dunning and McQueen (1981), who contributed to the aforementioned study, used data on the involvement of multinational corporations in the international hotel industry to provide empirical support for the eclectic theory of international production. In a subsequent study, they analysed the source of competitive advantage of international hotel chains and the non-equity forms of involvement (Dunning & McQueen, 1982).

Since this pioneer industry research, detailing the growing internationalisation of hotel groups, numerous studies have aided in a general understanding of the international hotel market. Examples of these are detailed in Table 3.10. According to Burgess, Hampton, Price and Roper, who assessed some research works on international hotel groups, concluded that, although the analyses of some of these studies “are based on a numerical framework and the importance of growth in international travel, collectively they have added little theoretical knowledge about the internationalisation of hotel groups” (1995, p. 74). Since then, the number of publications on the subject has increased considerably, however they continue to be an insignificant part of the literature produced on internationalisation, thus not being sufficient. Jones, Song and Hong even suggest a ‘research discontinuity’, being necessary to identify gaps in the application of general theory to hospitality and fill these gaps.

Apart from more conceptual studies (Alexander & Lockwood, 1996; Baum & Mudambi, 1996; Buckley & Geyikdagi, 1996; Buckley & Papadopoulos, 1988; Burgess et al., 1995; Davé, 1984; Jones, Song, & Hong, 2004; Kusluvan & Karamustafa, 2001; Littelljohn, Roper, & Altinay, 2007), there have been some works that have established hypothetical bases, applying and testing conceptual models to the international hotel. These studies are varied and either focus on the international hotel sector at the global scale or on European countries, especially Spain. They also tend to integrate a range of theoretical positions. The main theories used as the basis of analysis were the transaction cost and agency theories (Chen & Dimou, 2005; Cho, 2005; Contractor & Kundu, 1998a; Purcell & Nicholas, 2001;



Ramón Rodríguez, 2000, 2002), the eclectic paradigm (Anastassopoulos, Filippaios, & Phillips, 2007; Dunning & McQueen, 1982; Johnson & Vanetti, 2005) and the Upsala Model of the internationalisation of the firm (Agndal & Elbe, 2007; Weiermair & Peters, 1998). Other theories used include the internalisation and organisational capabilities theories (Pla-Barber & Darder, 2002) and the syncretic theory (Contractor & Kundu, 1998b).

As the network approach on internationalisation is newer, globally there are fewer academic studies using this conceptual model, especially studies of an empirical nature. In the case of the tourism sector, there is no study that addresses it. The exception is Ramón Rodríguez (2002), who, although testing other theories in the Spanish hotel sector, concluded that the importance of firms' relationship with their environment confirms the network approach to the internationalisation processes of firms.





Table 3.10 – Empirical studies on the internationalisation of the hotel sector

authors (in order date)	research method	theory	main conclusions
<b>Khanna (1975)</b>	Aims to determine the criteria that guide international hotel companies to overseas expansion.		
	Interview to 6 companies (2 mature firms with many hotels around the world, 2 growing firms, and 2 newer ones with only a few overseas hotels.	—	Companies take all the following factors into consideration while expanding overseas: tax advantages; foreign exchange rate; stability of the government; existing market and travel patterns; local labour supply; and attitude toward foreign investment.
<b>Dunning &amp; McQueen (1982)</b>	Aims to present original data on the growth of foreign-based international hotel chains and their distribution by home and host countries as well as by the principal sphere of economic activity of the parent company, and to analyse the source of competitive advantage of international hotel chains and the non-equity forms of involvement which particularly characterise the industry.		
	Secondary data of 81 multinational firms of 22 countries	eclectic paradigm	Ownership advantages have been found to derive from the characteristics of foreign hotel accommodation as an 'experience good'. There is a sharp division between ownership and control.
<b>Beattie (1991; 1993)</b>	Aims to analyse the extent of internationalisation within the European hotel industry. Porter's industry mapping technique was applied to identify strategic groups within the industry and any possible correlation between company size and degree of internationalisation.		
	Survey of 62 companies internationalised at an early stage, operating in at least two European countries	—	Analysis proves that there are no clearly defined strategic groups in the European hotel industry due to the diversity of the companies involved, and that size is not a prerequisite for internationalisation.
<b>Buckley &amp; Geyikdagi (1996)</b>	Aims to show how the eclectic theory of the MNE can explain the growth of foreign investment in the Turkish tourism sector.		
	Postal questionnaire launched in 1992 to 16 multinational hotel chains (50% response rate) and to 24 other companies (16% response rate), interviews and secondary information.	eclectic paradigm	The main location advantages are: the growing popularity of tourism in Turkey; the general infrastructure for tourism; and the availability and quality of inputs, including human resources. Low labour costs were not much mentioned. Political, social and economic stability were also feature sought by investors. Hotels integrated with tour operators have more equity stake than average.
<b>Zhao &amp; Olsen (1997)</b>	Aims to explore relationships among the antecedent factors and entry mode choices of multinational lodging firms as they plan expansion into existing and/or new international markets.		
	Five multinational hotel group case studies: interviews and secondary data	—	The results suggest that some relationships exist but that they are tentative. Where a high levels of country and political risk are perceived MCs with lower levels of resource commitment are favoured.
<b>Contractor &amp; Kundu (1998a)</b>	Aims to identify the internal (company characteristics and strategy) as well as external (country or locational) factors that lead it to the choice of franchising instead of its own operations.		
	Questionnaire survey of 110 global hotel companies	transaction cost economics & agency theory	The modal choice is influenced by both the environment or conditions in the market in which the hotel property is located, as well as the characteristics and strategy of the global hotel firm. The propensity to franchise is shown to reflect a mix of factors, including: level of development of the intended foreign market; the extent of globalisation and international experience of the firm; and strategic factors such as the degree of investment in its global reservations system and brand, as well as the size of its overall operations.
<b>Contractor &amp; Kundu (1998b)</b>	Aims to analyse the determinants of organisational forms in the international hotel sector, by testing concepts from the transaction costs, agency, corporate knowledge and organisational capability theories.		
	Questionnaire survey of 720 hotel managers	syncretic theory	The entry mode choice is shown to be determined by both country or environmental variables, and firm-specific variables.

Source: Own construction



Table 3.10 – Empirical studies on the internationalisation of the hotel sector (cont.)

authors (in order date)	research method	theory	main conclusions
<b>Weiermair &amp; Peters (1998)</b>	Aims to analyse the internationalisation processes among service enterprises, particularly in the field of tourism.		
	Survey of 202 small and medium-sized enterprises in the fields of food and accommodation, leisure, advertising and consulting, distributed across Austria, Southern Germany, and Eastern Switzerland.	Uppsala internationalisation model	Cultural distance and/ or differences, if properly accounted for, could imply different forms of organization and types of leadership, particularly in the field of the newly-formed cross-border networks operating in tourism.
<b>Purcell &amp; Nicholas (2001)</b>	Aims to develop a service sector FDI model and to provide a systematic explanation of why, where and how Japanese tourism managers invest in Australia.		
	Questionnaires to the CEO's of 15 firms (6 travel firms and 9 hotels)	transaction cost and resource-based theories	When firms possess all the capabilities and resources necessary to operate in overseas markets, full ownership is preferred to joint-venture arrangements, and green field investments are preferred to acquisitions.
<b>Ramón Rodríguez (2000; 2002)</b>	Aims to examine the key factors influencing the decision process carried out by Spanish hotel companies in choosing an entry mode for international expansion.		
	Questionnaire survey of 26 Spanish hotel companies operating at least one hotel abroad and in-depth interviews	transaction-cost, agency and strategic theories	The Spanish hotel industry tends to commit itself to a greater investment of resources and, therefore, to enjoy a greater control over its international facilities in (a) areas that are culturally different; (b) countries that do not represent any high political, economic or financial risk; and (c) destinations with better infrastructure and security of the direct investment.
<b>Pla-Barber &amp; Darder (2002)</b>	Aims to analyse the process of internationalisation of the Spanish hotel sector and identify the factors influencing the determination of the mode of entry of each new hotel.		
	Survey of 402 hotels corresponding to 22 chains	internalisation theory & organisational capabilities theory	Modes of entry that imply greater control of the foreign operation are associated with low risk environments; markets with high potential; more distant cultures: greater specificity of assets; very low and very high levels of international experience.
<b>Erramilli et al. (2002); Dev, Erramilli, &amp; Agarwal (2002)</b>	Aims to examine the choice between different types of non-equity modes in the context of the multinational hotel industry.		
	Questionnaire survey of 139 hotel managers	—	The greater experience a service organisation gains and the greater its degree of globalisation, the less likely it is to employ partnership MCs.
<b>Altinay (2005)</b>	Aims to evaluate major influencing factors and discuss their influence on the entry mode choices.		
	In-depth single case study. Data was collected utilising interviews, observations and secondary resources	—	Findings reveal that capital markets, host-country hotel markets, customers and organisation-specific characteristics play a determinant role in the expansion plan, more specifically in the modal choice of the hotel organisation.
<b>Chen &amp; Dimou (2005)</b>	Aims to examine the expansion choice between hierarchical and market modes of development decision of international hotel companies.		
	Secondary data on all the international hotel companies that operate at least one unit, and have more than 5000 rooms in total and at least 10 hotels operating in at least five countries	transaction cost economics & agency theory	The most influential factor on the development decision is the degree of proprietary content and idiosyncratic knowledge embedded in the service provided. The higher the market segment of operation, the higher the specialised skills and managerial expertise required for hotels to operate according to standards.

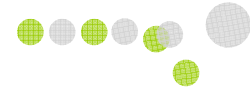
Source: Own construction



Table 3.10 – Empirical studies on the internationalisation of the hotel sector (cont.)

authors (in order date)	research method	theory	main conclusions
Cho (2005)	Aims to introduce and evaluate a framework for transaction costs such as transaction-specific assets, environmental uncertainty, and behaviour uncertainty in the context of the hotel industry.		
	39 in-depth interviews of top executives of Holiday Inn Seoul	transaction cost economics	The hotel experienced various transaction costs beyond the traditional direct costs.
Panvisavas & Taylor (2006)	Aims to examine the extent to which management contracts used by international hotel firms in Thailand mirror those used in the USA.		
	Semi-structured interviews with hotel owners/representatives and executives representing 8 international hotels with management contract	—	The use of management contracts in Thailand, largely mirrors practices in the USA. There were some detectable differences that existed which appear to be due to the relative lack of experience of Thai owners in dealing with international hotel firms.
Johnson & Vanetti (2005)	Aims to assess the expansion strategies of international hotel operators in five countries in Eastern Central Europe, namely the major competitive advantages and the major reasons determining the entry mode.		
	Questionnaire survey of 14 international firms expanding into Eastern Central Europe	eclectic paradigm	The major ownership advantages were knowledge of guest requirements, strategic planning, and reservation systems. Locational advantages consisted of the size and nature of the city in which the hotel was to be located, the infrastructure within the region, and the perception of the region as an attractive business destination.
Agndal & Elbe (2007)	Aims to study the internationalisation process of small and medium-sized Swedish tourism firms.		
	Formal interviews to 10 firms	Uppsala internationalisation model and born-globals	Markets were typically not selected as a result of extensive market analyses and there was no real evaluation preceding mode selection decisions.
Anastassopoulos, Filippaios, & Phillips (2007)	Aims to analyse determinants of profitability differences between subsidiaries of multinational enterprises and domestic enterprises in the hotel and hospitality industry.		
	Panel dataset of 95 multinational firms operating in Greece	eclectic paradigm	Multinational enterprises outperform their domestic competitors and are generally larger in terms of size. Minority owned multinational enterprises perform better as they make use of local partners who bring into the firm knowledge of the local market.
Kantarci (2007)	Aims to examine the foreign investor's perceptions of general investment, tourism specific investment, and sustainability investment consideration factors in Central Asian States.		
	Questionnaire sent to 178 investors	—	A delineated three-factor grouping of general investment conditions are reasonably robust and represent a majority of market entry barriers and considerations. The significance and relative importance of these factors of investment conditions show variation from country to country.
Quer, Claver, & Andreu (2007)	Aims to determine the factors that influence the choice of the entry mode in the internationalisation process of hotel firms into a foreign country.		
	Sample of 127 entries carried out by Spanish hotel firms between 2001 and 2003	—	Cultural distance reduces the likelihood of choosing equity entry modes, while firm profitability and internal financial funds availability favour the assumption of greater commitment in the international expansion process.
Lee (2008)	Aims to examine impacts of general internationalisation of US multinational hotel companies on firm value, the differences between internationalisation of these firms in Asia and Europe, and test a curvilinear relationship between internationalisation and firm value.		
	Data from financial databases and companies' annual reports	—	There is a curvilinear relationship between internationalisation and firm value; expanding into Asian countries benefits US multinational hotel companies while expanding into European countries does not benefit or negatively impacts firm value.

Source: Own construction



The hotel sector has a high degree of client-supplier interaction, thus internationalisation necessarily implies a physical presence in the destination country. In this sense, there are basically two different options of entering in a foreign market, that is through forms involving direct investment, with shared or total control, and forms not involving contribution of capital (management contracts and franchising).

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As for the involvement of transnational-associate hotels abroad at the end of 1978, according to the United Nations (UNCTC, 1982; UNESC, 1980), equity capital investment was not the predominant form, only accounting for about one third of investments, while the remaining was mainly in the form of contractual arrangements (Table 3.11). The management contract, which can be traced back to the 1950s as a foreign market entry method (Panvisavas & Taylor, 2006), was the preferred arrangement, accounting for almost 45 percent of all forms of involvement by transnational corporations. Nonetheless, some differences were noticed in the forms of involvement in developed and developing countries. While equity investments were preferred in developed market economies, in developing countries, management contracts were the prevalent form of association. Franchising was not very popular and leasing contracts were popular only in some developing countries.

Table 3.11 – Multinational associated hotels by form and date of involvement

		equity participation (%)	leasing (%)	management contracts (%)	franchising (%)
Developed countries	Before 1964	41.0	28.1	30.9 <sup>a</sup>	
	1965-1974	60.1	10.5	29.5 <sup>a</sup>	
	1975 and after	25.7	8.8	65.4 <sup>a</sup>	
	All periods	47.8	11.9	23.5	16.8
Developing countries	Before 1964	21.8	45.0	33.2 <sup>a</sup>	
	1965-1974	22.2	22.2	56.8 <sup>a</sup>	
	1975 and after	6.7	2.7	90.6 <sup>a</sup>	
	All periods	17.6	10.3	63.1	9.0
All countries	Before 1960	19.0	38.0	33.8	9.3
	1960-1964	31.7	21.1	47.2	-
	1965-1969	42.2	21.8	29.0	6.9
	1970-1974	38.8	14.9	36.8	10.3
	1975-1978	21.4	10.3	52.2	16.0
	1979 and after	3.3	1.2	87.1	8.3
	All periods	31.4	12.2	44.7	11.7

Note: <sup>a</sup> indicates management contract and franchising

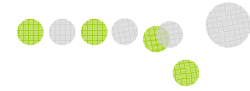
Source: Kusluvan & Karamustafa (2001) based on Dunning & McQueen (1982)



Although the origins of hotel franchising can be traced back to the 1950s, when Holiday Inn established itself as the sector's primary business format franchisor, until the 1980s it was seldom used as a means to international expansion (Connell, 1997). International franchising was largely confined to a small number of well established US companies able to channel reservations into countries with the industry resources to support the franchise method (Dunning & McQueen, 1982). Since then, there was a rapid growth in international franchising, suggesting the growth of the conditions that favour this business expansion over company-run operations (Contractor & Kundu, 1998a).

A study conducted by Contractor and Kundu (1998b), targeting all firms with foreign hotel operations listed in the International Group Directory, reveals that 37 percent of foreign properties were under management contracts, making this the most common entry mode in the international hotel business. It also unveils that 34.6 percent of foreign hotel properties were fully or partially owned, while the remaining hotels were franchised. In terms of geographical preponderance of each of these entry modes, it was visible the global prevalence of management contracts in all major regions, while there was regional variations in equity ownership and franchising by region. In North America franchising was more frequent than equity ownership, while in Asia franchising was less common. Globally, non-equity modes accounted for 65.4 percent of foreign operation properties worldwide.

Alexander and Lockwood (1996) also reinforces the fact that the hotel industry provides many examples of companies operating solely through management contracts or where management contracts form a major part of their total operation. The use of management contracts allows them to expand rapidly, with little financial repercussion despite the large initial capital investment involved in developing a new unit. The hotel industry thus uses predominately non-equity modes, being the franchising and management-service contracts the two most commonly employed modes (Erramilli et al., 2002). Hotel firms typically do not make any equity investment in either of these modes, although some firms may combine non-equity arrangements with equity investments (Dunning, 1988b).



Entry modes differ from each other on several dimensions, one of each is the degree of control (Root, 1998). The choice on the organisational entry mode thus implies a decision about the degree and type of control to be exercised over the hotel property (Contractor & Kundu, 1998b). Figure 3.17 illustrates the rationale of the relationship between entry mode and type of control exercised by the hotel chain: (a) daily operational and quality control in each hotel property; (b) control over the physical assets or over the real estate and its attendant risks; (c) control over tacit expertise embedded in the routines of the firm; and (d) control over the codified assets, such as a global reservation system and the firm's internationally recognised brand name (Contractor & Kundu, 1998b).

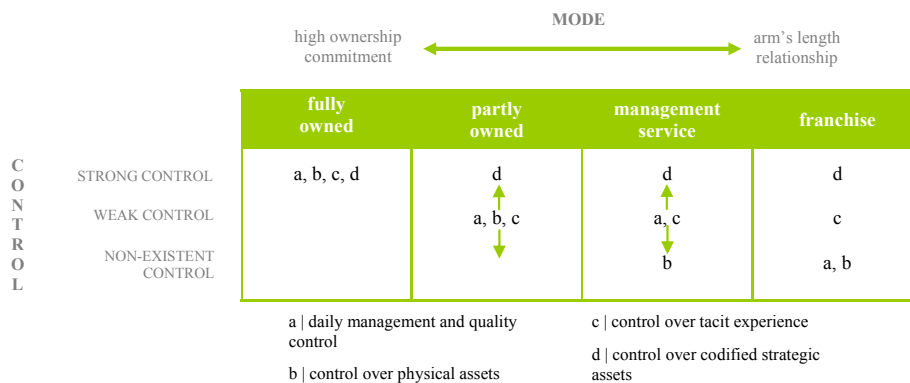


Figure 3.17 – Form of entry and type of control exercised by the hotel chain

Source: Contractor & Kundu (1998b)

It is noticeable that in newly created subsidiaries and acquisitions involving total control of the foreign operations, the hotel company holds exclusive control over the four aspects mentioned above, while in cooperative investments the exclusive control is only over the codified assets, with other aspects being shared with the partner. In management contracts, the situation is similar to joint ventures, with the only aspect varying being the relative control is that exercised over physical assets which, in this case, is in the hands of the owner of the hotel without participation from the hotel chain. Finally, in franchise contracts the chain does not manage the hotel, it only controls the codified assets, while control over tacit assets is shared with the hotel.

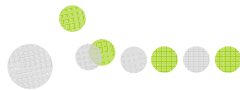


Table 3.12 – Past research approaches on entry-mode decisions in the hotel sector

Author(s)	External factors	Internal factors	Type of work
Zhao & Olsen (1997)	Political, economic, socio-cultural, technological and ecological dimensions	International strategy, internal environment	empirical
Contractor & Kundu (1998a; 1998b)	Country risk; cultural distance; level of economic development, foreign business penetration	Size; international experience and degree of globalisation; perceptions on strategic importance of global scale, control over management and quality, size, global reservations system and brand, investment in training	empirical
Taylor (2000)	—	perceptions	conceptual
Ramón Rodríguez (2000; 2002)	Country risk; cultural distance; level of economic development; entry of foreign investment	Size; international experience and degree of internationalisation; perceived strategic importance of scale economies; perceptions on strategic importance of size, global reservations system and brand, investment in training, control over management and quality	empirical
Purcell & Nicholas (2001)	Market growth; potential as tourism destination; country risk; costs; tax rates; follow competitors;	—	empirical
Dev, Erramilli, & Agarwal (2002)	Availability of managerial staff; availability of partners; attractiveness of business environment	Competitive advantage; organisational competence; quality competence; costumer competence; entry competence; physical competence;	empirical
Pla-Barber & Darder (2002)	Country risk; cultural distance; market potential	size; international experience; intangible assets, competences and skills	empirical
Dimou, Archer, & Chen (2003)	Country risk; market size and growth; level of economic development; degree of FDI	Size; scale; investment in research and development; global reservation systems	conceptual
Jones et al.	Size and growth of the economy; government policy on FDI; development of the market economy; leisure and business tourism; domestic demand; service mentality; tourist attractions; infra-structure; proximity of the host country; city size	Size; international experience; long term presence; network strategic alliances; brand name; human resources; marketing expertise; technological advancement; financial strength; strategic planning; reservation systems; knowledge on guest needs; economies of joint supply; economies of scale	conceptual
Altinay	Country risk; level of economic development	Size; international experience	empirical
Chen & Dimou (2005)	Location risk; level of economic development	Brand size and growth; international experience; proprietary content; geographical dispersion; country of origin	empirical
Litteljohn et al. (2007)	Country risk; cultural distance; level of economic development; entry of foreign investment	Size; international experience; administrative heritage, market segment; perceptions	conceptual
Quer, Claver, & Andreu (2007)	Country risk; cultural distance; market size	Size; ex ante profitability; availability of financial funds; indebtedness	empirical

Source: own construction





Past research, whether empirical or theoretical, has highlighted the relevance of external and internal factors to entry modes (Table 3.11). External factors identified by these studies relate to the conditions of the host country's environment, while internal factors examine the nature and number of the firm's specific assets. Major findings related to the influence of a number of these factors on the entry mode choice are presented below.

### Country or market-specific factors

#### » risk of the destination country

Several empirical studies have shown that in environments considered as being risky, firms prefer to share the control with local agents, in order to diminish the risk implicit in FDI (Chen & Dimou, 2005; Contractor & Kundu, 1998b; Pla-Barber & Darder, 2002; Ramón Rodríguez, 2000, 2002), while others found no statistical significance (Quer et al., 2007).

#### » cultural distance

Contractor and Kundu (1998a; 1998b) stated that cultural familiarity assumes importance, especially since hotels use considerable local labour and interact heavily with the local environment. However, they did not find any apparent relationship between socio-cultural distance and modal choice. Pla-Barber & Darder (2002) and Ramón Rodríguez (2000; 2002) revealed that modes of entry with higher degree of control are related with more cultural distance markets. On the other hand, Quer et al. (2007), who also analysed the Spanish international hotel sector, found evidence, for Latin America, to support the hypothesis that the smaller the cultural distance, the more likely firms are ready to assume higher commitment in their entries, opting for equity entry modes. This hypothesis was not confirmed to Europe though. These mixed results can be explained by the fact that non-equity modes can both generate costs when transferring know-how to cultural distant countries, or being easier to implement due to the cultural proximity (Quer et al., 2007).

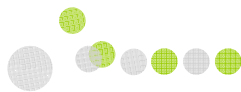
#### » market size and growth

Some studies show that the modes of entry that demand higher degree of control are associated with the markets with higher sales potential (Pla-Barber & Darder, 2002), while others reveal that non-equity modes are preferred in larger markets (Quer et al., 2007).

#### » level of economic development

Contractor and Kundu (1998a) unveil that the richer the market, the greater the likelihood of franchising being used as an entry mode. However, results of other studies show that





lower levels of economic development of the target market imply modes of entry with lower degree of control, with firms seeking local partners to share the foreign venture (Chen & Dimou, 2005; Contractor & Kundu, 1998b; Ramón Rodríguez, 2000, 2002). This result concurs with the assertion of Dunning and McQueen (1981), who defended that FDI is more frequent in highly competitive markets.

### Firm-specific factors

#### » firm size

One study revealed that there is no empirical evidence to confirm the relationship between size and entry mode (Quer et al., 2007), however, several other works disclosed that smaller firms tend to present a higher probability of using cooperative methods than larger firms (Contractor & Kundu, 1998b; Pla-Barber & Darder, 2002; Ramón Rodríguez, 2000, 2002). Contractor and Kundu's study (1998a) have however confirmed a negative relationship between firm size and control.

#### » international experience and degree of internationalisation

Results of the study of Pla-Barber and Darder (2002) confirm the evidence obtained by Erramilli (Erramilli, 1991), showing a U-shaped relationship. That means that experience plays a determining role in the choice of mode of entry, but its influence will depend on the firms' stage of international development. Contractor and Kundu (Contractor & Kundu, 1998a, 1998b), evidenced that equity-based modes of entry are preferred by companies with more experience. Conversely, Ramón Rodríguez (2000; 2002) and Chen and Dimou (2005) validated the hypothesis of a negative correlation between international experience and control mode. This result shows that firms tend to invest, at the early stage of internationalisation, with complete control of its foreign subsidiaries, and with time they choose more loosely modes of entry, thus revealing the importance of market knowledge (Erramilli, 1990).

### Relational factors

#### » network relationships

Although not being the basis of analysis, Ramón Rodríguez (2002) reveals that during her empirical study she discovered that some of the entries made in collaboration with other companies were done through personal contacts, thus showing that personal relationships



play an even greater role in the decision about the choice of an entry mode than the specific advantages of the company or the characteristics of the country. Although these results were presented as a footnote, they represent an important breakthrough, showing the importance of relational factors. Agndal and Elbe (2007) also reveal that personal relations and networks are frequently used by firms in the search for opportunities on new markets.

### 3.8 Summary and conclusions

This chapter has reviewed the most influential theories, models and paradigms in the internationalisation of firms in the international business literature and their main supporting arguments. The drawbacks of these theories were also explored, and it was evident that they have been challenged over the time, given rise to new perspectives. The traditional approaches, individually considered, fail to provide a complete explanation of the internationalisation process, thus calling for a more integrative approach, incorporating complementary views on this phenomenon.

One of the main researched theories has been the Uppsala internationalisation model, which describes the internationalisation phenomenon as a process of successive stages with higher degrees of international involvement, introducing the concept of psychic distance. Although a considerable number of studies have confirmed the existence of gradual international expansion, thus providing support to this approach, other studies have contested it, since it does not explain international new ventures or born globals, who internationalise very quickly and do not pass through a series of incremental steps. The network approach has shed some light on how firms, particularly SMEs, can internationalise rapidly. According to this view, the development of business relationships can help surpass the existing barriers, by providing the necessary market knowledge and know-how.

The eclectic paradigm has also been rather used in the literature, being regarded as a comprehensive framework and being used widely as a reference on the study of FDI determinants. According to this model, there are essentially four main motivations of international production, related to ownership, market (domestic and host country) and



internalisation advantages. The entry of mode decision is then influenced by a series of these factors.

Most works have tended to focus on manufacturing firms, however a growing interest has developed in analysing the particularities of service firms. Although classified in the service sector, the hotel sector has distinctive characteristics that differentiate it from other service industries, therefore presenting a challenge and calling for a separate research regarding the decision on the mode of corporate development. Despite the importance of the sector, there are however not many studies focusing on it.

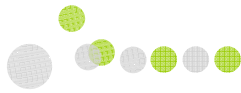
Hotel internationalisation is a slowly developing research field, however with some drawbacks relating to the focus of the studies on few countries and publicly-quoted companies. Nonetheless, the growing literature in the area offers directions for further research, exploring new geographical and organisational territories. It has been however suggested that tourism research may not always be in line with the generic research conducted in a topic area, nor always aware of the different schools of thought that may exist. It seems to be the case of the lack of studies on the network theory in the internationalisation of the hotel sector.

The next chapter thus aims to discuss the relevance of networks, giving special attention to the evolution of the concept and its application into international businesses and the tourism sector, with special attention to its influence on the economic activity of enterprises.

A decorative graphic consisting of several overlapping circles in shades of green and grey. The circles vary in size and are arranged in a cluster. One large green circle in the upper right contains the number 4.

4

# **networks in the business context**



## 4.1 Introduction

One of the key issues that emerged from the discussion introduced in the previous chapters is that, in a globalised and interconnected world, organisations may no longer be seen in an isolated way, being their success linked to the surrounding environment. This chapter thus aims to discuss the relevance of networks for maximising business economic benefits. It starts by presenting the theoretical framework of networks, giving special attention to the evolution of the concept and its application into social sciences (section 4.2). Some forms of actors and networks, its classification, structure will be presented in section 4.3. The impact of network relationships on firms' internationalisation will be discussed in more detail in section 4.4, while the following section presents the advantages of implementing the network management model in the tourism sector, with special attention to its influence on the economic activity of enterprises.

## 4.2 Network concept and historical development of the network theory

Network analysis has started to emerge in the literature in the late 1980s and, encouraged by the emergence of theories of society that emphasise relationships and integration, has been the focus of a great deal of attention since the 1990s, both in terms of academic research and in application in the non-academic world (Scott, Baggio, & Cooper, 2008). Despite the relatively recent popularity of networks as topic and analytical framework, its concept and theory originated during the 1930s, stemming from the work of the psychiatrist Jacob Moreno, who depicted the inter-relationships of a small network of individuals in network diagrams (Freeman, 2004), thus inventing the 'sociogram'. His work initiated a line of research that dealt with the measurement of social networks, and which was ultimately to become 'Social Network Analysis', a method for measuring and analysing social networks (Scott, 2000).

However, from the 1940s to the 1960s, social network analysis disappeared from view but was kept alive, and in some cases independently (re)discovered, by groups of scholars who were working on problems in different academic disciplines and institutional settings. During this period, social network analysis remained fragmented and localised, and can be found in research conducted on social behaviour as exchange (Homans, 1958, 1974), social psychology of groups (Thibaut & Kelley, 1959), exchange and power (Blau, 1964),



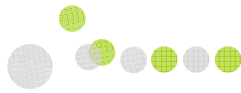
operational research in local government (Ward, 1964), and inter-organisational and exchange analysis (Levine & White, 1961; Miller, 1958; Reid, 1964).

In the late 1960s, Stanley Milgram advanced network theory with the ‘Six Degrees of Separation’ experiment<sup>1</sup>, but it was only in the 1970s, that social network analysis finally became a generalised paradigm for research, mostly motivated by the work of Harrison White, who was as teacher and transmitted to his students this structural perspective. By the end of the 1970s, the field was composed of two distinct cliques, one an “eclectic hodgepodge made up of anthropologists, geographers, social psychologists, communication scientists, political scientists, historians and mathematicians”, the other made up almost exclusively of sociologists (Freeman, 2004, p. 130). In the 1980s and 1990s, these two cliques came together and formed an integrated community of researchers, started to attract the attention of a growing number of scholars in different disciplines. Since then, a growing number of academics and practitioners have become receptive to the importance of intra- and inter-organisational relationships to the organisations’ profitability, efficiency and effectiveness as well as to the employees’ motivation (Costa, Breda, Costa, & Miguéns, 2008).

The network theory, originated in the social sciences, was considered to be primarily a social science tool, where the concept of a network was a metaphor for the complex interactions between people in the community (Scott et al., 2008). However, in mid 1950s, Cartwright and Harary (1956) connected the network theory with mathematics. With the development of quantitative approaches, the concept of network became formalised and related to the mathematical theory. They claimed that sociograms could be analysed using a type of mathematics, known as Graph Theory. Up until this time, social scientists working on sociograms only had used words to describe them, therefore Cartwright and Harary made a significant contribution to link the qualitative sociograms of social science with the quantitative analyses of graph theory (Tesson, 2006).

The basic concept of network was given by Mitchell (1969), who defined it as a specific type of relationship (ties) that links a group of people, objects or events (actors or nodes).

<sup>1</sup> Stanley Milgram investigated the “small world problem”, i.e., the hypothesis that within a social group any person could contact any other person through a surprisingly small number of links.



Thus a network consists of a set of nodes and ties, representing some relationship between the nodes (Figure 4.1). This simple concept itself has a variety of developments that makes the study of theory and practical application of networks a complex matter which engaged several researchers from various scientific fields (Jarillo, 1988). An example is Gamm (1981), who defines network as a system or a field comprised of organisations and inter-organisational relationships.

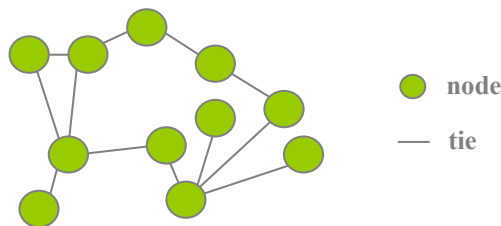


Figure 4.1 – Basic configuration of a network

Source: own construction

Currently, the analysis of social networking is done from the perspective of two different conceptual approaches: (a) a mathematics perspective, using quantitative techniques to study the characteristics of a given network, and (b) a qualitative analysis, linked to social sciences, where it is emphasised the structural vision of social interactions and the study of the influence of relationships and social arrangements in the decisions, beliefs and individual behaviour (Scott, 2000).

The analysis of networks from a mathematical perspective had its origin in Graph Theory (Scott et al., 2008), which began to be developed in the eighteenth century by Leonhard Euler, who proposed the famous problem of the bridges of Königsberg<sup>2</sup>. A number of important publications in the second part of the eighteenth century and in the nineteenth century have followed Euler's paper, but it was not until 1936 that a systematic study was published by Dénes König, presenting a formal setting of this theory (Scott et al., 2008).

<sup>2</sup> The problem was to attempt to draw up a roadmap for Königsberg in which each of its seven bridges could be crossed only once during the trip. Euler addressed the issue in a structural way, proving the impossibility of solving the problem and thus demonstrating the importance of the study of interconnection between points spatially dispersed.



From the end of the 1990s, the theories developed by mathematicians to understand the networks have also been applied to several areas, namely to the Internet. The vast amount of data available through the worldwide web came to be analysed by sophisticated mathematical techniques, bringing major implications for the analysis of networks in various fields of scientific knowledge. The hyperlink network analysis is an example of an extension of the traditional network analysis that it focuses on the structure of a social system based on the shared links among communication partners (Park, 2003).

Boissevain (1979) considers that network analysis has important merits for a number of reasons: (1) it focuses systematic attention on inter-linkages between units of analysis, which may be outward or inward links between individuals and groups; (2) it highlights the interdependency of these units; (3) it develops the view of a society as a network of networks; (4) it focuses not only on inter-linkage, but also on the content of the relations; (5) it is sensitive to the inherent tension and asymmetry in social relations; (6) it sensitises the researcher to the inherent dynamics in such relations; (7) it cuts across the conceptual barriers of an institutional approach; (8) makes possible to deal with forms of social organisation that emerge from interaction and were generally ignored or relegated to residual categories of social analysis; (9) it provides a way of relating formal, abstract sociological analysis to everyday experience, by linking interpersonal relations to institutions; and (10) it brings into sharp sociological focus the difficult analytical category of friends-of-friends.

The sociometry introduced by Moreno in the 1930s was the first real attempt of social networks analysis (Scott, 2000), with the sociograms being the tools used to study the relationships between individuals. The analysis of social networks today is much more complex, but still uses, in part, graphic methods. Stokowski (1992) defines the analysis of social networks as a set of methods used to map the relationships and interactions between groups of social actors, with the aim to analyse how the patterns can influence the structural behaviour of these actors. He suggests the application of the social networks model in leisure and recreation research.





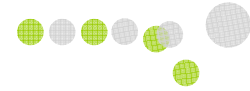
Regardless of the methodology used, the analysis of networks has become increasingly important, especially in today's global society and competitive business world, where personal and organisational relationships are increasingly valued. The organisational environment is crucial for the success of an organisation because interdependence pervades organisations and is fundamental to understanding them (Costa et al., 2008). As enterprises have to compete globally, networks can play a significant role in facilitating the access to knowledge, resources, markets and technologies.

### 4.3 Types of networks and actors

The network approach has been widely applied in a large number of disciplines, and as a result, the term network has been used to describe very different phenomena (Achrol, 1997). Regardless the discipline and the phenomena, network studies focus the analysis on the interdependencies among the units studied. These vary according to the transactional content of the relationship, but when considering interpersonal relations, they can be classified as social or business relationships (Lynch, 2000).

Mitchell (1973) has identified three types of social relationships: structural, categorical and personal. Based on that, he classified the ways in which content of social network relations may be perceived into three different categories: exchange, communication and social. Using this sociological study of networks as a foundation, Szarka (1990) linked these three categories into the context of small firms. He illustrated exchange networks as composed of organisations with whom firms have commercial transactions, thus the core of this network being trading partners. The communication network refers to organisations with non-trading links which inform the firm's business activities. This could include the sharing of information between firms. Family, friends and acquaintances of the owner and his employees are all part of the social network of the small firm. This can be further broken down into the personal network and the wider cultural dimension in which actors are immersed.

Despite this attempt of categorisation, networks can be viewed, analysed and classified in various ways. Because their complex structure, there is not a unique and agreed way to the classification and analysis of networks. A common aspect found in the literature is that

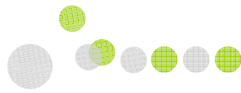


networks comprise two basic elements: the nodes, formed by the actors or entities in the network, and the links, represented by the interaction between these actors. From these basic elements, several approaches to determine the characteristics of a network can be found in the literature.

114 Networks embrace a range of formal and informal arrangements, from casual groupings of like-minded individuals to highly planned structures of roles within organisations (Barringer & Harrison, 2000; Fuller-Love, 2009). Membership in informal networks is typically based on shared experience, pre-existence of social ties or some bound of familiarity that draws actors together, thus often involving long term relationships (Gernot Grabher & Powell, 2004). They may evolve in and into organisational contexts that are governed by formal hierarchical control. Projected networks are another type of groupings that interweave inter-organisational and inter-personal relationships, assembling participants with complementary skills and being temporarily limited by definition (Gernot Grabher & Powell, 2004).

Networks may also be classified as hard or soft networks (Malecki, 2002; G. Saxena & Ilbery, 2008). Hard networks are mainly economic- and profits-related and are usually formed to achieve common business goals between partners, such as the search for new markets or joint development of products, involving formal agreements for sharing profits or resources. Soft networks have open membership and a broader spectrum of action, involving a diverse range of members (enterprises, representatives of the government, NGOs, community groups or even individuals). These are cooperative in nature, emphasise the social standards and reciprocity, and meet a range of interests instead of focusing on specific actions.

According to the type and extension of existing relationships, networks can be also classified as open or closed (Saxena, Clark, Oliver, & Ilbery, 2007; Saxena & Ilbery, 2008). In open networks connections are more geographically dispersed and there is a more dynamic interaction between different actors, allowing them easy access to a broad range of services and capture knowledge externalities from other actors and networks. Closed networks are collectivistic in nature, incorporating secure social relations and personal ties



(often relatives and friends). Those involved in this type of network attain mutual benefits through the exchange of tacit knowledge, assisted through deep personal and social bonds, and collective values.

A network can be analysed in several other dimensions. Haythornthwaite (1996) have identified a number of network properties: cohesion (where the actors are grouped according to strong common relationships with each other), structural equivalence (grouping actors according to similarity in relations with others), prominence (which determines the most active members of a network), range (which indicates the extent of an actor's network) and brokerage (which indicates bridging connections to other networks). Analysis of these dimensions within a network will bring up clusters and cliques. Clusters are subgroups of interconnected actors within the larger group that form the complete network, whereas cliques are fully interconnected clusters (Scott et al., 2008), and can be used to maximise the power of some group in an organisation.

Other network dimensions include connectedness (the extent to which actors in networks are interconnected); betweenness (the position of an actor between cliques or groups); reciprocity (degree to which there is two-way communication), vertical differentiation (degree to which different organisational levels are represented in the network), horizontal differentiation (degree to which different job areas are represented in the network) (Hahn, 2007; Murdoch, 2000; Scott et al., 2008). Network relations can also vary along dimensions of frequency of contact and the role of relationships (Burt, 1983 cited in Noel Scott et al., 2008). Axelsson and Agndal (2000) developed a framework for mapping individual networks, consisting of five main elements: categories of contacts, importance of the relationship, richness, availability and reach. They argue that this framework might offer one way of identifying possibilities for international business.

Several authors agree that two of the main parameters for evaluation of a network is the centrality and density (Pavlovich, 2003; Scott et al., 2008; Shih, 2006). These two properties are directly related to the network's basic elements (actors and links) and therefore are key to its overall assessment. Centrality refers to each element of the network and evaluates their strategic positioning within a network, thus showing how important



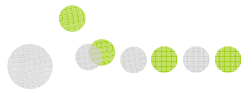
they are in the general structure of the network. Density explores the overall structure of the network, examining the number of connections between all its components.

Another important analysis based on the connections within a network is the differentiation between strong ties and weak ties (Granovetter, 1973, 1983). Strong ties occur when there is a great connection between the actors of the network, allowing a great flow of information and generation of knowledge within the network. On the other hand, the great proximity between members might cause the risk of the information being redundant, representing little innovation. These ties are also used to maintain, extend and enhance business status and personal reputation. Weak ties represent the links with those actors disconnected from the social group, but having its importance to expand the spectrum of the network and make it more open to ideas and opportunities that arise in the external environment. In this context, the theory of structural holes put forward by Burt (2007) is of great importance. Holes are perceived as structural mechanisms that link between different network structures, being fundamental to the promotion of each network, which benefits from the new information that is obtained by exogenous factors. In this sense, networks should combine both strong and weak ties to be able to capture and efficiently process new information. The argument thus asserts that weak ties (acquaintances) are less likely to be socially involved with one another than are strong ties (close friends), however their value and strength lies on their connections to other networks.

Given that networks are very heterogeneous structures, there are various perspectives to address them, thus making difficult the existence of a unified and agreed approach to define their properties and characteristics. Gnoth and Jaeger (2007) point out that each network is a single structure, which makes the approaches outlined above have some utility and practicality, creating a wide range of analytical tools that can be used in different scenarios.

#### 4.4 Networks and business relationships

Social network theory is an interesting alternative view from traditional sociological studies, placing more importance on the relationships and ties with actors within a network rather than on the attributes of the individuals. Networks are thus seen as social



relationships between actors that dynamically seek to achieve common goals (Saxena & Ilbery, 2008). Besides personal relationships, social networks have also been used to examine how companies interact with each other, characterising the many informal connections that link executives together, as well as associations and connections between individual employees at different companies. These networks provide ways for companies to gather information, deter competition, and even collude in setting prices or policies (Wasserman & Faust, 1994). Globally, networks enable to access information; search for, obtain and share resources; engage in cooperative actions for mutual benefit; develop collective vision; diffuse ideas and mobilise resources (Saxena & Ilbery, 2008).

Successful external relationships are increasingly recognised to be critical to the survival and success of organisations. Central to this idea lays the embeddedness argument, which constitutes one of the main bases of the network perspective (Dacin, Ventresca, & Beal, 1999; Semitiel García, 2006). The work of Granovetter (1985) in the field of economic sociology led him to be identified with this concept, which defends that economic relations between individuals or firms are embedded in actual social networks. A similar idea was proposed by Wilkinson (1983), who offered an alternative methodology for the study of economics, by including the social and political perspectives as well.

For Coleman, embeddedness is an “attempt to introduce into the analysis of economic systems, social organisations and social relations not merely as a structure that springs into place to fulfil an economic function but as a structure with history and continuity that give it an independent effect on the functioning of economic systems” (1988, p. S97). Uzzi considers embeddedness as “the process by which social relations shape economic action in ways that some mainstream economic schemes overlook or misspecify when they assume that social ties affect economic behaviour only minimally or, in some stringent accounts, reduce the efficiency of the price system” (1996, p. 674). Another definition is proposed by Granovetter, who sees embeddedness as “the extent to which economic action is linked to or depends on action or institutions that are non-economic in context, goals or processes” (2005, p. 35).



Being embedded in an inter-organisational network, relationships provide organisations improved opportunities for learning, as well as access to technologies and resources, helping them to enhance their competitive position (Dyer & Singh, 1998; McEvily & Zaheer, 1999; Nohria & Eccles, 1992). Embeddedness can function as the ‘cause’ of the way networks appear. This is the position taken by most of the literature that deals with informal relations and is concerned with actors as brokers and the makers of connections (Boissevain, 1974, 1979). Besides embeddedness, other key features of networks include trust, which is not easily accomplished (Gambetta, 1988, 1993; Sako, 1998; Sako & Helper, 1998); position, which is strongly shaped by identity and reputation (Ben-Porath, 1980; Dore, 1983; Podolny, 2001); cohesiveness and reach (Granovetter, 1973, 1983; Travers & Milgram, 1969; Watts, 1999); (d) power and control (Marsden, 1983; Padgett & Ansell, 1993; White, 1993); and lock-in and vulnerability (Albert, Jeong, & Barabási, 2000; G. Grabher, 1993; Uzzi, 1997).

The concept of embeddedness allows for the coordination between economics and sociology. Therefore, the approach and the concepts offered by network analysis are available for the study of economic organisations (Semitiel García & Noguera Méndez, 2004). The importance of applying the network perspective to economic analysis was described by Nuhria (1992), and the opportunities for actors forming the group were identified. Some of the variables that can help to explain successful performance of economic organisations through network relations are the role of network configuration (Gemünden, Ritter, & Heyedebreck, 1996; Vanhaverbeke & Noorderhaven, 2001), the position of a firm in the network (Gulati, 1999; Nohria, 1992; Vanhaverbeke, Duysters, & Noorderhaven, 2002), the type of inter-firm ties (Powell, 1990; Uzzi, 1996), trust (Doney & Cannon, 1997; Morgan & Hunt, 1994), open communication (Brock-Smith, 1997; Ritter, 1999) and joint problem solving arrangements (Larson, 1992; Takeishi, 2001).

According to the network theory and its application to economic organisations, a market can be regarded as a network composed of a group of agents and the relationships among them (Semitiel García, 2006). Thorelli (1986) defends that the entire economy may be viewed as a network of organisations with a vast hierarchy of subordinate, criss-crossing networks. In this thesis, the approach mainly used derives from the definition of network



presented by Jarillo (1993), where it is viewed as a set of companies that work together towards a common goal, in which coordination is not achieved by mergers and acquisitions, but through the creation of a 'strategic network' of companies. In this regard, a business network can be defined as a set of connected relationships between actors controlling business activities (Forsgren & Johanson, 1992), where the partners are committed to future exchange and relationships that comprise important elements of knowledge development, forming the platform for future business, thus broadening the companies' business network (Forsgren, Holm, & Johanson, 2005).

Examples of network relations are personal connections, business relationships between companies, trade agreements among nations, contractual cooperation or other types of relations based on mutual gain and trust. In business terms, networks may take many forms and include strategic alliances, joint ventures, licensing agreements, subcontracting, joint research and development and joint marketing activities (Ireland, Hitt, Camp, & Sexton, 2001).

According to Semitiel García (2006), business relationships in groups with strong relationships among agents and spanning structural holes usually perform better, because it allows access to diverse perspectives, skills, resources and technologies, and stimulates creativity and learning, thus increasing competitive advantages. This viewpoint derives from exchange theories, which have been applied following the network perspective. Basically, it is defended that exchanges are fundamental to facilitate the transference of knowledge (Jones, Hesterly, & Borgatti, 1999).

Perrow (1992) applied the network perspective to the study of small firm networks ('industrial districts' as he called them), unveiling that firms within the network compete and interact with one another by sharing information, equipment and personnel, among other things. By 'coopeting'<sup>3</sup>, firms can react quicker and in a more successful way to technological and market changes. These networks provide external economies of scale, having a positive effect in the efficiency of the region and of the industry (Semitiel García, 2006).

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<sup>3</sup> Coopetition, a neologism popularised by Brandenburger and Nalebuff (1996) is used to describe cooperative competition.



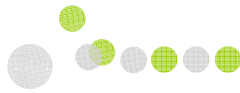


This is an interesting result as SMEs assume an important role in economic development. Evidence show that most European enterprises are small, but account for a significant amount of employment, work experience and economic activity (Observatory of European SMEs, 2007). Their role, however, had not always been perceived as such, changing gradually over time. Schumpeter's assumption that the existence of large enterprises was as a pre-requisite to technological change (Schumpeter, 1950), have originated several theories that consubstantiated this hypothesis. As a result, the significance of SMEs had been extensively ignored in literature for a long time. However, recent studies have been underlining the economic significance of SMEs, thus leading to a growing research interest in their role in the innovation process, and even originating theories that defend the innovative advantage of SMEs.

According to Acs and Audretsch (1988), the growing activity in innovation tends to be more pre-eminent in small and medium-sized enterprises rather than in large firms. Link and Rees (1991) also point out the higher level and significance of innovation in SMEs. One of the reasons is the existence of considerable collaborative research activities (Acs, Audretsch, & Feldman, 1994; Jaffe, 1989; Link & Rees, 1991) and the effective use of these relationships in order to stimulate internal R&D activities at a higher level. It is thus recognised the capacity of networks to accelerate the exchange of information and to induce innovation (DiMaggio & Powell, 1983; Jarillo, 1993), often driving a contagion effect (Galaskiewicz & Burt, 1991) in proximate firms and fuelling embeddedness of knowledge. These firms also tend to compensate the lack of R&D through spillovers and spin-offs effects (Acs & Audretsch, 1993; Jaffe, 1989; Mytelka, 2004).

The important role that SMEs can play in the innovation process, as well as their impact in employment generation, allows to point them as more effective in stimulating regional development (Armstrong & Taylor, 2000), contrasting with traditional regional policies that tended to emphasise large enterprises and external investment as the way to achieve economic development. Nonetheless, the irreversible process of globalisation, where international standards are high and competition is fierce, poses a challenge to these





enterprises that must strive for increasing competitiveness. Networks can thus provide the necessary tools to face these challenges.

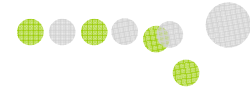
One of the main conclusions drawn from the application of the network perspective to exchanging organisations is the importance of trust relations (Semitiel García, 2006). This is especially important in informal cooperation, which is based on trust developed through social exchange (Håkansson & Johanson, 1988). As collaboration involves the exchange of information and sharing resources, the existence of trust increases the embeddedness of the firms.

Table 4.1 – The importance and limitations of the network approach

importance	limitations
<ul style="list-style-type: none"><li>» Novel but increasingly important and has been applied to many areas.</li><li>» Challenges and complements traditional perspectives and describes a new business reality.</li><li>» Recognises non-economic bonds between organisations.</li><li>» Stresses trust and a long-term perspective.</li><li>» Understands the totality of direct and indirect, close and distant relationships among firms.</li><li>» Useful for strategic and operational business planning.</li><li>» Sees the resources of the company as an inter-organisational matter.</li></ul>	<ul style="list-style-type: none"><li>» Lacks a clear disciplinary home.</li><li>» May be regarded as unscientific.</li><li>» Uses vague and unclear concepts.</li><li>» Focuses mainly on the links between a buyer and a seller (both active).</li><li>» Sometimes ignores the actions of individuals within the network.</li><li>» Lacks explanatory power and ability to develop managerial implications.</li><li>» Pays little attention to the dynamics of business networks.</li><li>» Does not produce satisfactory models for predictions.</li><li>» Difficult for an observer to understand relationships/dependencies/connections between actors or relationships.</li><li>» Propose that some elements should be taken into account due the lack of considerations regarding the interaction with the environment in which decisions are taken.</li></ul>

Source: Vissak (2003)

The network approach, despite being relatively new in the business literature, has been already reviewed in different areas, being evident that it challenges, but also complements, some of the existing theories. The most important aspects that this approach puts forward (Table 4.1) relate to the fact that it provides a clear understanding of the business reality,



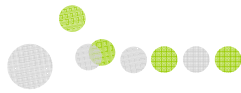
being often supported by empirical evidence; it identifies the importance of close long-term relationships for increasing the organisations' competitiveness and the importance of maintaining, showing that the resources of the firm depend on its relationships with the other actors and their partners; and it unveils the influence of informal relationships (Vissak, 2003).

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Despite the increased recognition of the importance of the network approach, it has been sometimes criticised (Table 4.1) for having no clear disciplinary home; paying little attention to the economic perspective; being too general to be operationalised and tested; having no clear definitions and ideas; being inadequate for predictions and not offering considerable managerial suggestions; lacking explanatory power and sufficient empirical evidence; focusing mostly on the links between a buyer and a seller, not, for example, the wholesaler-consumer relationships or explaining the actions of the individuals within the network; and for not pay enough attention to the dynamics of business networks (Vissak, 2003).

#### 4.5 The network approach to internationalisation

The network approach has been applied to several aspects of the economic sphere, including competitiveness, growth, entrepreneurship and internationalisation. Early calls to draw upon the network theory in the business context were made by several researchers of entrepreneurship (Aldrich & Zimmer, 1986; Larson & Starr, 1993), international entrepreneurship (Coviello & Munro, 1995, 1997; Oviatt & McDougall, 1994) and international business (Forsgren & Johanson, 1992; Johanson & Mattsson, 1988; Jan Johanson & Vahlne, 1990), who recognised the importance of network research to their fields of study. Much of the international entrepreneurship research using network theory has focused on the entrepreneur's personal and extended networks, but there is also a body of work that focused on organisational networks (Birkinshaw, 1997; Hara & Kanai, 1994). The role of governments in fostering networks have been also discussed by McNaughton and Bell (1999) and Cooke and Morgan (1993; 1994). However, there is a limited amount of discussion on the role of networks in growth and international market development (Coviello & Munro, 1995).



As examined in the previous chapter, it has been widely discussed in the literature that traditional internationalisation models fail to fully explain the internationalisation behaviour of firms. Research has identified an increasing number of firms that do not follow the traditional stages pattern in their internationalisation process (Bell, 1995; Brush, 1992; Jolly, Alahunta, & Jeannet, 1992; Kalantaridis, 2000; Lindqvist, 1991; McDougall, Shane, & Oviatt, 1994; Oviatt & McDougall, 1994; Rennie, 1993; Welch & Luostarinen, 1988), with several authors suggesting that the network approach offers additional insights into the phenomenon.

Table 4.2 – The importance and limitations of the network approach to internationalisation

importance	limitations
<ul style="list-style-type: none"><li>» Describes business reality well and shows empirical support.</li><li>» Addresses some shortcomings of the other approaches.</li><li>» Views foreign market entry as a result of a cumulative process.</li><li>» Demonstrates the impact of internal and external actors and long-term relationships on internationalisation.</li><li>» Can capture interconnectedness and concurrence of internationalisation processes.</li><li>» Shows that the resources necessary for internationalisation can be acquired through network relationships.</li><li>» Leads to a wide-ranging strategic and policy approach.</li></ul>	<ul style="list-style-type: none"><li>» Has mostly concentrated on large and/or manufacturing firms.</li><li>» Has limited strength as a tool for understanding internationalisation and drawing conclusions about its pattern.</li><li>» Offers vague predictions, uses indistinctive criteria and includes too many variables.</li><li>» Does not discuss the importance of decision-maker and firm characteristics.</li><li>» Does not examine how the companies overcome the problems experienced in internationalisation through their network relationships.</li><li>» Mostly focuses on the firm's production net rather than customers and other actors.</li><li>» Excludes the impact of certain external factors propelling an enterprise towards internationalisation: unsolicited orders, domestic competition, formal associations and government economic policies.</li></ul>

Source: Vissak (2003)

Some of the main aspects that show the relevance of the network approach (Table 4.2) include the considerable empirical support it has received; the fact that it provides a good description of the business reality; it includes an internationalisation behaviour that falls outside the traditional models; it demonstrates the importance of long-term relationships and external influences in firms' internationalisation process; it shows the impact of different actors and government policies on the companies' internationalisation; and it is



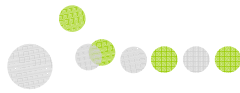
able to explain de-internationalisation, by admitting that relationships can sometimes inhibit a firm's foreign market entry (Vissak, 2003).

The network approach have however received criticism for some reasons (Table 4.2), namely because it has limited strength for understanding the pattern of internationalisation, not offering very precise conclusions, including too many variables; it has indistinctive criteria for differentiating between different firm types; it does not offer satisfactory models for predictions; it concentrates on larger and/or manufacturing companies; it does not pay enough attention to the importance of decision-maker and firm characteristics; and it sometimes neglects several external factors and actors that often result in internalisation (Vissak, 2003).

As discussed above, firms use their networks to gain access to resources, to improve their strategic positions, to control transaction costs, to learn new skills, to gain legitimacy and to cope with technological changes (McDougall & Oviatt, 2003). Through networks it is easier to compete, both domestic and internationally, to reach economies of scale and dimension, and to generate synergies (UNWTO, 2001). Cooperation and partnerships thus play an important role in the internationalisation process, preventing many of the location-specific risks due to “foreignness” and inadequate knowledge of the operating environment, as partners tend to compensate these shortcomings, acting as information channels and interpreting market information (Etamad & Wright, 2003; Forsgren et al., 2005).

Hassid (2003) unveils that the mechanism most favoured by small firms in the services sector to acquire internationalisation-related competences is through the promotion of networking, therefore being important the development of distribution and market penetration through formal and informal links. The embeddedness of these relationships and ties have a positive impact on economic and social actions and outcomes (Etamad, 2004).

The network perspective in internationalisation provides an interesting opportunity to understand entry into foreign markets by young and/or resource-constrained small business. It also posits that internationalisation is a process that takes place through networks of



relationships. Social embeddedness of the network play an important role in binding individual firms or entrepreneurs into value adding relationships, which enable them to minimise or overcome their disadvantages of smallness and isolation, as well as overcome problems associated with unknown markets and psychic distance (Brown & McNaughton, 2003; Etemad, 2004).

These inter-firm relationships, composed of personal networks connected to the individual and the extended networks associated with organisations, have also been acknowledged as a driving force in internationalisation, functioning as enablers of action, thus being called as opportunity networks (Axelsson & Agndal, 2000). Not only direct partners, but also the ones of their partners affect a firm's behaviour, which means that existing relationships can be used as bridges to other networks (Johanson & Vahlne, 1990; Sharma & Johnson, 1987).

According to Etamad & Wright (2003), the key to successful internationalisation no longer lies in the firm's internal resources and management capabilities, but increasingly in the ability to understand its relative position in relation to the network and to manage inter-firm relationships to generate globally competitive value chains. Other studies have also suggested the importance of network relationships. In Granowetter's (1973; 1983) discussion of weak ties, it is argued that secondary contacts offer opportunities for renewal in ways that primary or strong ties do not, weak ties thus create access to potentially important clusters. Burt (1992) also asserts that a large number of contacts or complementary networks is preferable for the firm.

Cunningham and Turnbull (1982) asserted that personal contacts are at the heart of interaction between organisations, as it is the individual who makes contact and builds up trust between organisations (Axelsson & Agndal, 2000). In the context of entrepreneurship, personal networks have been found to play an important role in businesses (Butler, Brown, & Chamornmarn, 2003), and family and friends were important elements in entrepreneurs' networks (Staber and Aldrich, 1995). The importance of personal networks has not been however much explored in business research, especially at the international level, where more attention has been given to formal business-to-business linkages (Butler et al., 2003).



Social bonds within business networks tend to strengthen business relationships. These are important for gaining information (Björkman & Kock, 1997) and might also affect the firm's choice of foreign market and entry mode (Coviello & Martin, 1999; Coviello & Munro, 1997; Johanson & Vahlne, 2003). They might be instrumental in explaining why some firms decide to internationalise and choose the market mode of entry, but they can also inhibit a firm's internationalisation (Ford 1998).

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In their study, Coviello and Munro (1995) found that the 'initial triggers' for internationalisation came from networks of firms looking for new market opportunities and with established players as potential partners. Networks also allowed firms to overcome typical industry weaknesses, and were important in accelerating access or entry into new markets. Similar results were found by Zain & Ng (2006), who revealed that network relationships trigger and motivate firms to internationalise, influence their market selection and mode of entry decisions, help them gain initial credibility, allow access to additional relationships and established channels, help in lowering cost and reducing risk, and influence their internationalisation pace and pattern.

While the internationalisation process approach suggests that, for a firm to successfully enter new international markets, surmounting country borders (economic, institutional and cultural barriers) play an important role (Johanson & Vahlne, 1977); in the network model, barriers to internationalisation are more dependent on the firm's relationships within both domestic and international markets (Johanson & Mattsson, 1988). Forsgren et al. (2005) decided to propose a combination of both approaches, calling it network approach to internationalisation.

According to this approach, markets are bounded by institutional and cultural barriers, and are depicted as a system of business relationships among a number of players, with some of them being cross-border relationships (Figure 4.2). Contrasting with the traditional view, which stresses institutional and cultural barriers to business, this approach defends that entry problems are not solely associated with country markets but also with the establishment and development of relationships, which can be used to surmount the country market barriers (Forsgren et al., 2005).

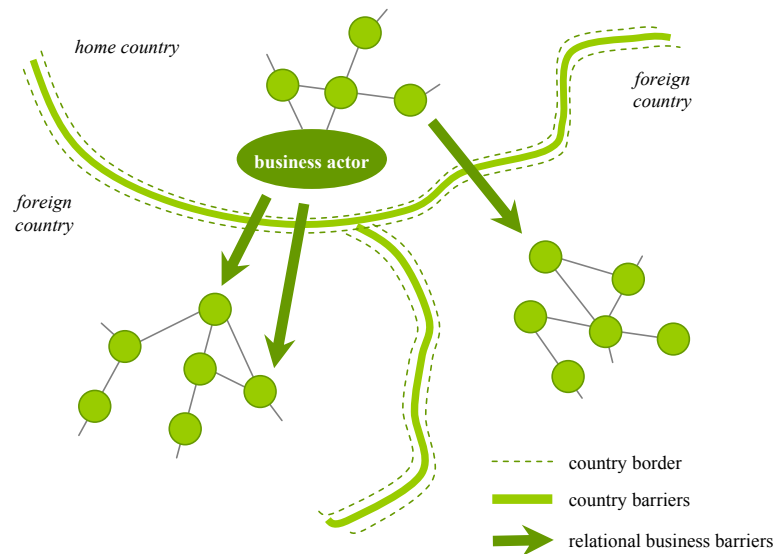
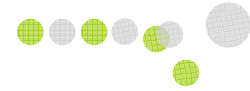


Figure 4.2 – Foreign market entry from a business network perspective

Source: Forsgren et al. (2005)

While in the process model of internationalisation, experiential knowledge was of crucial importance to firms' internationalisation, it is recognised by the network approach as an important, but not exclusive, determinant of firm's internationalisation pattern. Knowledge can be gained by the experience on the foreign marketplace, and different types of market experience can be distinguished (Eriksson, Johanson, Majkgard, & Sharma, 1997). Business experience consists of the firm's experience in doing business, thus pertaining to clients, competitors and the market, while the institutional experience is country-specific and refers to its institutional setting, being related to the factors that constitute the psychic distance between countries (Forsgren et al., 2005). These two types allow a firm to become aware of opportunities and problems in the foreign market, thus concerning to the 'know-why' aspect of the experiential knowledge. The third type is related to the 'know-how' or procedural element of experiential knowledge.

According to the network perspective, an inexperienced firm can benefit from other's learning by doing, through firm's personal and business networks (Arrow, 1962). The firm can thus gain access to other enterprises' experiential knowledge without necessarily going through the same experiences (Eriksson et al. 1998), learning instead, through them, about business conditions and market networks (Johanson & Johanson 1999). Therefore, a



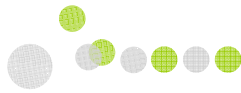
typical internationalisation sequence has changed from gradual expansion to expansion in leaps by joining the networks (Hertz 1996). Empirical studies have demonstrated that firms are able to acquire relevant international knowledge from their networks (Holm, Eriksson, & Johanson, 1996)

From the network perspective, the internationalisation process is a result of the interaction between experiential knowledge development and commitment, although they concern potential and existing relationship partners, not countries (Johanson & Vahlne, 2003). Internationalisation of the firm can be achieved through the establishment of relationships in foreign country networks that are new to the firm (international extension); the development of relationships and increasing resource commitments in those networks in which the company already has a position (penetration) or connecting existing networks in different countries (Johanson & Mattson, 1988). The experienced enterprises can use their existing network position as a base for further internationalisation (Forsgren, 1990).

The main difference between the network approach and the internationalisation process of the firm thus relates to the decision-making process. While in the stage model the internationalisation is regarded as an outward extension of the firm and the outcome of its decision-making, the network approach sees it in terms of the firm's existing relationships. Another characteristic that distinguishes them is the size of firms under study, with the network perspective providing an opportunity to understand the entry into foreign markets by young and/or small businesses, not focusing just on big companies.

The internationalisation of SMEs is a relevant issue as most of the firms are small or medium-sized (Observatory of European SMEs, 2007), and they play a critical role in industry innovation and in benefiting local economies through economic development (Fischer & Reuber, 2003). They are also interesting, not only at the economic level, but also in political and social level, given that an economic system which is based upon dynamic SMEs can help individuals and their social networks to structure systemic relationships between themselves and with other economic and institutional actors (Parrilli, 2005).





#### 4.6 Networks and tourism

Small and medium enterprises dominate the tourism sector in Europe, mostly in the form of family-owned businesses. Similarly, they play an important role in the economy and in the development of destinations, especially in peripheral regions, because of their ability to create new jobs, their capacity to stimulate competition and their higher multiplier effect, among other socio-economic reasons (Buhalis & Peters, 2005; Wanhill, 2002).

As a result of the world's globalisation, vertical and horizontal integration of the industries, and the opening of the world's frontiers, competition has become fierce and has led a growing pressure on this type of tourism enterprises (Smeral, 1998). But on the other hand, globalisation can also be seen as an opportunity to benefit from the open world market. Increasing worldwide competition is pushing companies to become more efficient and effective. Hence, firms are becoming conscious that, in order to compete globally, they have to interconnect with other agents in order to become more efficient in their operation, incorporate resources and reduce costs. As mentioned above, the importance of networks as facilitators in the access to knowledge, resources, markets and technology, is enormous, especially in a globalised sector as it is the case of tourism.

In today's networked society (Castells, 2005) and economy (Man, 2004), tourism is a networked industry by nature, where business and personal relationships exist between companies and managers in a very big diversity of services, allowing to overcome the problems associated to its fragmented and geographic dispersion (Noel Scott et al., 2008; Tremblay, 1998). The network theory in the tourism sector has started to be introduced gradually in the literature since early 2000s, as a result of the recognition that relationships between enterprises can stimulate inter-organisational learning and knowledge exchange, resulting in benefits to businesses, community and destinations (Morrison, Lynch, & Johns, 2004). Therefore, a number of publications have been produced using network, cluster and agglomeration theories to explain the role of tourism in influencing local growth and stimulating regional development (e.g. Bramwell & Lane, 2000; Caalders, 2002; Lazzeretti & Petrillo, 2006; Michael, 2007; Petrillo & Swarbrooke, 2005a, 2005b; Noel Scott et al., 2008).



In addition to bringing competitive advantages to tourism firms, by identifying the relationships between government, businesses and community, the network theory has a huge potential to guide tourism destinations' management and planning. It has had several applications in the tourism sector, in particular in the organisation, management and promotion of tourism destinations (Gibson & Lynch, 2007; Hall, 2005; Hall, 1999; Jamal & Jamrozy, 2006; Lynch & Morrison, 2007; Martino & Petrillo, 2006; Pavlovich, 2003; Scott, Cooper, & Baggio, 2008; Shih, 2005; Soisalon-Soininen & Lindroth, 2006; Stokes, 2006; Telfer, 2001; van der Duim, 2005), in the management and transfer of knowledge and innovation in the sector (Abdullah, Zamli, & Selamat, 2009; Guia, Prats, & Comas, 2006; Halme, 2001; Novelli, Schmitz, & Spencer, 2006), in governance and policymaking (Breda, Costa, & Costa, 2004; Costa, 1996; Dredge, 2006a, 2006b; Gibson & Lynch, 2007; Gnoth & Jaeger, 2007; Saxena, 2005), in the management of tourism SMEs (Ahmad, 2005; Breda, Costa, & Costa, 2006, 2008; Conway & Jones, 2006; Lynch, 2000; Smeral, 1998), in the use of information and technology (Braun, 2003a, 2003b; Buhalis & Molinaroli, 2003), in studying the tourist behaviour (Stokowski, 1992) and in international networks (Morrison et al., 2004).

It is particularly evident that research on networks in tourism has focused its attention on destination management and planning, where cooperative relationships are regarded as a way to achieve local/regional development. There are several reasons why the management across networks is presented as one of the most logical management tools for tourist destinations. The fragmented nature of tourism, characterised by its geographical dispersion, in areas usually distant from the consumer market, and with a predominance of small companies (Fyall & Garrod, 2005), make relationships between the various agents of a tourism destination become critical.

The network perspective is highly appropriate in the tourism industry, as tourism destinations usually include different types of organisations of different structures and sizes, interacting and competing with each other, and also shaping the destination's tourism product. This creates a dichotomy in that competition and cooperation coexist (Pavlovich, 2003), thus being necessary 'cooperative' strategies. Collective actions thus become



important for the development and, in some cases even, the survival of tourism destinations.

In order to offer a global and integrated tourism product, destinations must adopt a specific management approach, different from that used in traditional products. The nature of tourism pushes service providers to develop formal and informal relationships, leading to the emergence of inter-organisational networks in destinations. These networks can be seen as groups that are articulated freely, with the goal of providing a comprehensive tourism product (Scott et al., 2008).

Another peculiarity of the tourism, which justifies a network management approach, is the fact that it develops in areas that are consumed by visitors, but at the same time, are also used by other types of public, namely the residents. It is thus essential the participation of the local community in the tourism management and planning process (Gunn & Var, 2002; Inskip, 1991). Through a network management system, local actors have more chances of effective participation in the management process.

Another reason for the network approach in tourism destinations is knowledge management. Grizelj (2003) discusses this based on the network perspective of the virtual service company, emphasising that the knowledge-building requirement is not confined to the single travel company itself, but transcends to the virtual network the company belongs to, and may eventually lead to collective competencies of the network itself. Therefore, knowledge management within tourist destinations has to be understood as a mutual, collaborative task. A similar approach is defended by Gnoth (2006; 2007).

Therefore, both the characteristics of tourism supply and demand justify the network management approach. Tourism destination management always involves dealing with several actors, who have their individual interests, but at the same time benefit from actions intended to promote the range of actors in the destination. Bonetti, Petrilo and Simoni (2006) defended this integrated approach in tourism product definition, by referring to the demand/supply interaction (Figure 4.3). The tourism product is then recognised as



having a systematic nature and being capable of creating synergies as a result of the participation of the various parts.

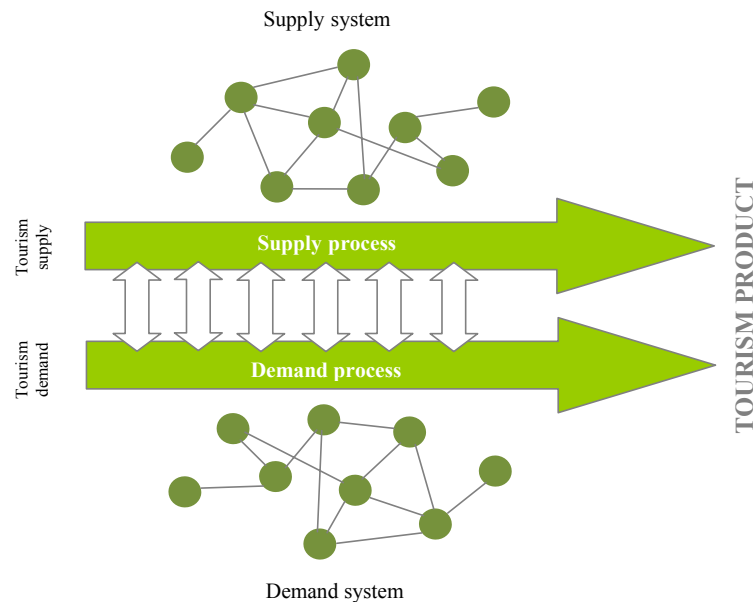


Figure 4.3 – Systematic approach in tourism product definition

Source: Bonetti et al., (2006)

Four ideal tourism system configurations have been also put forward by Bonetti et al. (2006), by crossing the degree of interdependence and centralisation among the actors of the network (Figure 4.4). They identified (a) market clusters, which are systems where players, although located in the same geographical area and working in the same sector, do not establish co-operation relationships and do not recognise a unitary governance body; (b) districts, which are systems where there is no unitary governance, but players try and establish long-lasting co-operation relationships and decision-making processes are jointly implemented; (c) tourism local systems, which are systems characterised by close relationships among players and the existence of a governance body capable of orienting development paths; and (d) constellations, which are systems with a governance body having strong powers and acting as a core of the relationship network, while relationships among the various players are mere market interdependences.

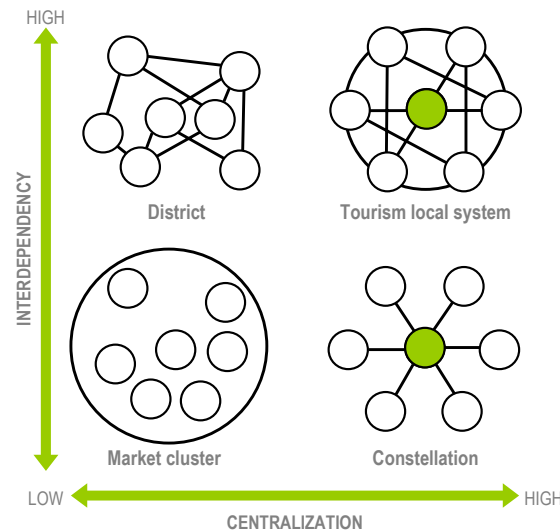


Figure 4.4 – Configurations of the tourism system

Source: Bonetti et al., (2006)

According to Costa (1996), the importance of networks and partnerships for tourism are enormous, because (a) they put forward more comprehensive, inclusive, participatory, informed, and democratic approaches; (b) they bring to destination areas the assurance that development is no longer viewed from a short-term economic approach; (c) they bring to the tourism industry the hope that economic growth is viewed not only in the short-term but also in the medium and long term; (d) they bring to governments the advantage that the development of tourism respects the natural and social heritage, that development takes into account local economic structures, and also that, by stimulating the inter-organisational coordination of policies, tourism indirect and induced economic impacts are maximised.

## 4.7 Summary and conclusions

Despite its actuality and popularity, the origin of the network theory may be traced back in the 1930s. However, it was not until the 1980s that the network theory has suffered its most important boost, as a growing number of scholars from different disciplines have realised its potential when translated to the world of businesses. A network, defined as a set of actors and the relations connecting them, may involve individuals or groups and can assume diverse configurations, being possible to approach it from different perspectives. The network perspective is not reductionist; on the contrary, it is holistic. The actors are

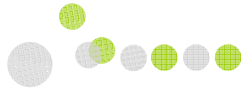


focused agents with social and economic motivations, which are influenced by the net of relationships in which they are embedded. Economic organisations, as agents embedded in wider social structures, started to be analysed under the lens of the network perspective, with some concepts and approaches being incorporated from exchange theories.

The network approach in the business context has received wide attention in the literature, especially in the fields of entrepreneurship and international business. It complements however the existing theories and provides a good understanding of the business reality, having received considerable empirical support. On the other hand, it has been criticised for having rather unclear definitions, ideas and/or conclusions and being rather inadequate for predictions. Several studies have identified the important role of social capital and trust in binding firms or entrepreneurs into value-adding relationships. These relationships, developed through interactions in which firms build knowledge, allow firms to minimise or overcome disadvantages of their smallness or isolation, as well as overcome problems associated with unknown markets and psychic distance. The internationalisation process is also inter-organisational and not just intra-organisational

Tourism is a networked industry by nature, where business and personal relationships exist between companies and managers in a very big diversity of services, allowing overcoming the problems associated with its fragmented and geographic dispersion. Considering that the economic structure of the tourism sector is largely composed of SMEs and by more ‘flat’ organisational structures, the identification and creation of partnerships and networks play an important role for the development of regional competitive advantages. The importance of networks for tourism thus seems enormous.

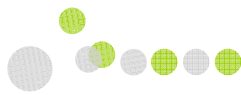
Despite the relatively widespread literature on the importance of networks in the tourism sector, most of the research is towards the role and importance of the network on the destination management. There is also an interesting stream in the literature that discusses the role of networks in tourism firms’ performance and competitiveness, especially small and medium-sized businesses. Research indicates that there are different sources of values that could derive from these networks, however not much empirical research has been conducted regarding the real value participating firms could appropriate and create. And



when considering international tourism businesses, there is even less discussion, especially on the role of networks in tourism enterprises' internationalisation process. This might be related to the fact that literature on tourism internationalisation is scarce and also to the newness of the application of the network approach in tourism studies.







## 5.1 Introduction

While previous chapters consist of a literature review dealing with relevant concepts pertaining this study, the present chapter discusses and summarises the way in which the research process was carried out. It starts by presenting some considerations on epistemological and methodological issues in social sciences (section 5.2), followed by the rationale of the study (section 5.3) and the research framework, providing the main objectives, research questions and hypotheses (section 5.3.2). The subsequent section consists of a summary of the research design focusing on the main steps followed regarding data collection and analysis (section 5.3.3).

## 5.2 Epistemological and methodological issues in social sciences

Epistemology, or theory of knowledge, is a branch of philosophy concerned with the examination of the nature, sources, limitations and validity of knowledge, and the links between theory and data in the construction of knowledge (Mannheim, 1952). Epistemological orientations shape and determine the particular view of the world and of reality. They also provide the guiding principles upon methodologies may be based (Lincoln & Guba, 1985). Hence, epistemological positions are closely associated with methodological approaches, and they affect the research process in the way that they permit researchers to develop questions, design the study and adopt appropriate research strategies (Yeganeh, Su, & Chrysostome, 2004).

The scientific method is a body of techniques that is used to investigate phenomena, searching for cause-effect relationships. It is based on observable, empirical, measurable evidence, and is subject to laws of reasoning, attempting to minimise the influence of bias in the researcher when testing a hypothesis or a theory, thus being necessary in developing scientific knowledge.

Social science has been defined as “the attempt to explain social phenomena within the limits of available evidence” (Lewins, 1992, p. 41). ‘Evidence’ and how it is collected is however a problematic issue. Traditionally it has been perceived as data collected through the counting of responses or observations, and when it was not possible a direct observation, sociological concepts were grasped indirectly through the testing of



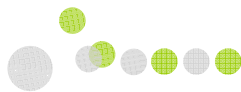
hypotheses. “Society was seen as rule governed, with there being one ‘true’ reality, and research was based upon the idea of there being one universal knowledge which was created through the application of objective thinking and empirical research.” (Phillimore & Goodson, 2004, p. 6) However, as social research has developed, attitudes about what constitutes valid and reliable knowledge, research and evidence have also evolved.

Denzin and Lincoln (1998) divide the history of social research into five phases: the ‘traditional period’, characterised by a positivistic and natural science approach in empirical research (emphasis on quantitative methods); the ‘modernist period’, where there was a shift towards a more qualitative approach; the ‘blurred genres’, where researchers begin to move away from natural science and to recognise multiple approaches to research; the ‘crisis in representation’, where the traditional role of researcher was contested and the rigour of generalisation was disputed; and the ‘fifth moment’, characterised by the focus on specific and local research instead of grand narratives aimed at explaining universal phenomena (Phillimore & Goodson, 2004). The history of social research thus shows initial efforts to combine different methods of information collection and analysis in a single research. However, in recent years, different forms of combining methodologies have been put forward, based on notions such as “triangulation”, “mixed methods”, “mixed models” or “multiple methods” (Duarte, 2009).

Given that tourism is a relatively new subject, consideration of research issues is not as mature as compared with other social science fields (Phillimore & Goodson, 2004). A review of post-1996 journals revealed that tourism research is still located in Denzin and Lincoln (1998)’s ‘traditional period’ (Goodson & Phillimore, 2004). Nonetheless, there are signs that the horizons of tourism research are expanding, tourism knowledge being generated using a variety of research methods (Tribe, 2004).

### 5.3 Rationale of the study

Even though a research process consists of a sequence of planned stages, sometimes it is necessary to adapt to new and unexpected circumstances, opportunities, problems and findings. According to Wilkinson and Young (2004), research is an emergent process, where improvisation and adaptation are a part of. “At the outset we do not know what we



will find out or the problems we might encounter, and we must be prepared to be led by and to adapt to the knowledge and insights and change events we encounter along the way.” (Wilkinson & Young, 2004, p. 207).

In the course of this study a great deal of adaptation was necessary. During preliminary fieldwork in Goa, it became clear that the initial work plan was very much difficult to be carried out. The research question dealt with the reasons for and challenges of the Portuguese investment in the tourism sector in Goa, particularly the influence of organisational, political and cultural factors. After the daunting discovery of the inexistence of such ventures, it was necessary to accept the fact and move on. The research focus was then shifted, although remaining related with the initial one.

The change of focus throughout the research process is not an unusual situation. As Strauss and Corbin point out, “one begins with an area of study and what is relevant to that area is allowed to emerge” (Strauss & Corbin, 1990, p. 23). The development of the research questions and the application and modification of methods for data collection was thus a dynamic process, resulting from a combination of different factors. Personal research interests, coincidence, emerging opportunities and, especially, personal experience and insights gained during the course of preliminary fieldwork in Goa paved the way of the research.

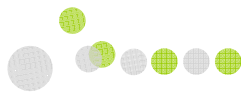
Fieldwork revealed the importance of local informants, who are embedded in personal and business networks, thus being crucial in providing all sorts of information and facilitating data collection. Being an outsider in a different country, with limited knowledge about it and its organisation, it was essential to rely on informants and their network of contacts. The researcher started wondering that, being important the existence of a good network of contacts to conduct research, it would be even more for foreign companies intending to operate businesses there. It is not new the fact that, such as researchers, companies encounter liability in terms of their lack of knowledge of foreign markets. Personal and business network relationships might then play a significant role in the internationalisation process. The importance on relying in personal or business networks is special acute in Asian countries, such as China, where *guangxi* plays an important role in many aspects of



life, thus a great effort is put into cultivating, maintaining and developing relationships (Chen, 2004). This is also true for India; Indians are strongly relationship-focused (Gesteland, 2002). The right local connection is of surmount importance given the regulatory obstructionism, the endemic corruption, the impenetrability and the bureaucratic nature of the Indian system, in which the business environment is embedded. In addition, these connections are greatly helpful in providing knowledge of local business customs and practices.

In face of this, the researcher decided that network relationships would be the focus of the research, and was determined to find out how these relationships influence the internationalisation process of Portuguese firms in the tourism sector. Are these relationships important in overcoming limited market knowledge for international expansion? How far are Portuguese enterprises willing to engage in the hotel sector in Goa, a market of which they do not know much about? This assumption was made based on the fact that, despite being a former Portuguese colony, it is a distant country (in physical and in psychological terms), there is no Portuguese investment in any sector in Goa and limited investment in the rest of India, and there are little trade relationships between the two countries. In order to overcome these barriers, a local partner would be useful, but are hoteliers in Goa willing to cooperate with Portuguese companies, and vice-versa?

The generalised expansion of the tourism sector, allied to an increasing dispersion of tourists and diversification of destinations, have created new challenges to enterprises that are now striving to have an international presence and to be competitive in the global market. The establishment of business relationships is thus becoming increasingly crucial, since globalisation has led a growing pressure on tourism enterprises. Through the establishment of business relationships it is easier to compete, both domestic and internationally, to reach economies of scale and dimension, and to generate synergies (UNWTO, 2001b). Cooperation and partnerships thus play an important role in the internationalisation process. Through such alliances, enterprises can avoid many of the location-specific risks due to 'foreignness' and inadequate knowledge of the operating environment, as their local partners tend to compensate these shortcomings (Etamad & Wright, 2003).



The network approach has been applied to internationalisation. It has been widely discussed in literature that traditional internationalisation models fail to fully explain the internationalisation behaviour of firms. Research has identified an increasing number of firms that do not follow the traditional stages pattern in their internationalisation process (Bell, 1995; Brush, 1992; Jolly, Alahunta, & Jeannet, 1992; Knight & Cavusgil, 1996; McDougall, Shane, & Oviatt, 1994; Oviatt & McDougall, 1994; Rennie, 1993; Welch & Luostarinen, 1988) and some authors suggest that the network approach offer some additional insights into the phenomenon (Chetty, Eriksson, & Hohental, 2003; Coviello & Munro, 1995, 1997; Forsgren, Holm, & Johanson, 2005; Johanson & Vahlne, 1990; Madsen & Servais, 1997; Sharma & Johnson, 1987).

The network perspective in internationalisation provides an interesting opportunity to understand entry into foreign markets by young and/or resource-constrained small business. It also posits that internationalisation is a process that takes place through networks of relationships. Social embeddedness of the network play an important role in binding individual firms or entrepreneurs into value adding relationships, which enable them to minimise or overcome their disadvantages of smallness and isolation, as well as overcome problems associated with unknown markets and psychic distance (Brown & McNaughton, 2003; Etemad, 2004).

#### 5.4 Research framework and design

Research is an investigative process that can be distinguished from other forms of investigation by objectivity, reciprocity and systematisation (Brown 1980, cited in Pizam, 2005). This last requirement is the most important one, and implies that the research process should be organised into sequential and interdependent steps and be properly planned in advance. Although different authors hold opposing views on the number of such steps and their designation (Hill & Hill, 2002; Pizam, 2005; Quivy & Campenhauudt, 2005; Sekaran, 2003; UNWTO, 2001a), it is unanimous the recognition of a sequence. According to Hill and Hill (2002), research is a roundtrip journey that starts and ends in the literature, with several steps in between. These steps can be defined as those illustrated in Figure 5.1.

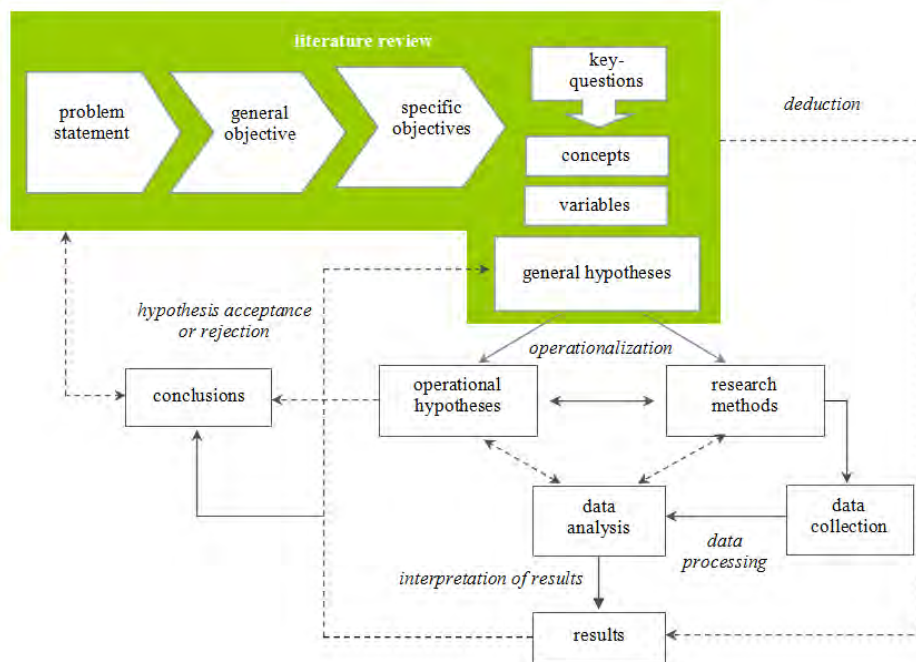


Figure 5.1 – Steps in planning a research investigation

Source: constructed based on Barañano (2004), Hill & Hill (2002), Sekaran (2003) and Pizam (2005)

Every research starts with the identification and selection of a research topic. Within the conceptual framework, an extensive literature review should be carried out, and several hypotheses should be generated and tested to determine if data collected by different techniques, both quantitative and qualitative, support them. Concepts are operationally defined in order to be measured, and a research design is devised to specify how to collect, analyse and interpret data (Sekaran, 2003).

#### 5.4.1 Literature review

Literature survey is the documentation of a comprehensive review of secondary sources of data (conceptual literature, empirical studies, trade literature and published statistics) in the specific areas of interest to the researcher. It provides the foundation for developing a theoretical framework from which hypotheses can be developed for testing. Moreover, it explains and clarifies the theoretical rationale of the problem and discloses what research has been done so far. The more links that can be established with other studies or a body of theory, the greater the scientific contribution (Pizam, 2005).

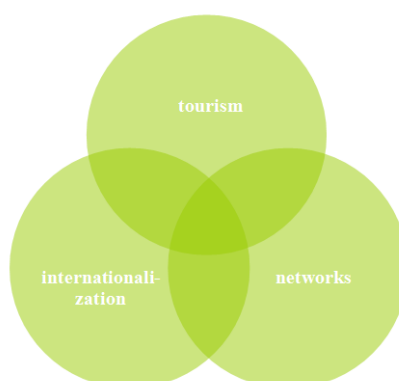


Figure 5.2 – Main components discussed in the literature review

Source: own construction

There are three main thematic areas in which this study is embedded (Figure 5.2), which relate to the discussion presented in previous chapters. An analysis of literature on tourism development in Goa was also crucial to understand the context in which part of the empirical research was conducted. Likewise, a review on Portuguese FDI was crucial to undertake, namely the identification of other studies on firms' internationalisation. These two aspects will be presented in the following chapters, along with the results of each empirical study.

## 5.4.2 Theoretical framework and hypotheses development

### 5.4.2.1 Objectives

The literature survey and the definition of the research problem were essential steps to progress in the research. Anchored in this critical work, the aims of the research and the key research questions were then outlined. Those are presented in Table 5.1.



Table 5.1 – General and specific objectives, and key research questions

general objective	To verify whether concepts derived from the network theory can explain the international business development employed by firms in the hotel sector. More specifically, it aims to understand Portuguese firms' approach to internationalisation, particularly in terms of firm's decision to internationalise, foreign market selection and mode of entry, and how network relationships influence it.
specific objectives	<ul style="list-style-type: none"> <li>• To analyse the internationalisation behaviour of enterprises, with special attention given to those based on service industries, particularly to determine key factors that influence market selection and entry mode choice in international companies' ventures.</li> <li>• To evaluate the importance of network relationships in the internationalisation process, particularly in the decision-making process of hotel companies for international entry and expansion.</li> <li>• To bring empirical evidence on how Portuguese tourism enterprises internationalise, namely to determine if they rely on partnerships while venturing in international markets, if these relationships are important in overcoming limited market knowledge for international expansion and what kind of constraints do they face while investing in other countries.</li> <li>• To explore Goa as an important international tourist destination and a potential market for Portuguese investment, with different business and political settings, and characterise the structure of its hotel sector.</li> <li>• To determine whether Portuguese tourism enterprises are interested in engaging in the hotel sector in Goa and if entrepreneurs in Goa are willing to establish partnerships with Portuguese companies.</li> </ul>
key research questions	<ul style="list-style-type: none"> <li>• How is the internationalisation process of hotel firms manifested in their choice of foreign market and mode of entry?</li> <li>• How market knowledge influences the establishment of business relationships to internationalise?</li> <li>• How important are network relationships in the firm's decision to internationalise?</li> </ul>

Source: own construction

#### 5.4.2.2 Concepts and variables

After the definition of the aims of the study had been completed, the next logical step was to develop a theoretical framework, which theorises and makes logical sense of the relationships among several factors that had been identified as important to the problem (Sekaran, 2003). Since the theoretical framework offers the conceptual foundation, it is



thus central in examining the problem under analysis and in proceeding with the research. The entire research rests on the basis of it (Sekaran, 2003).

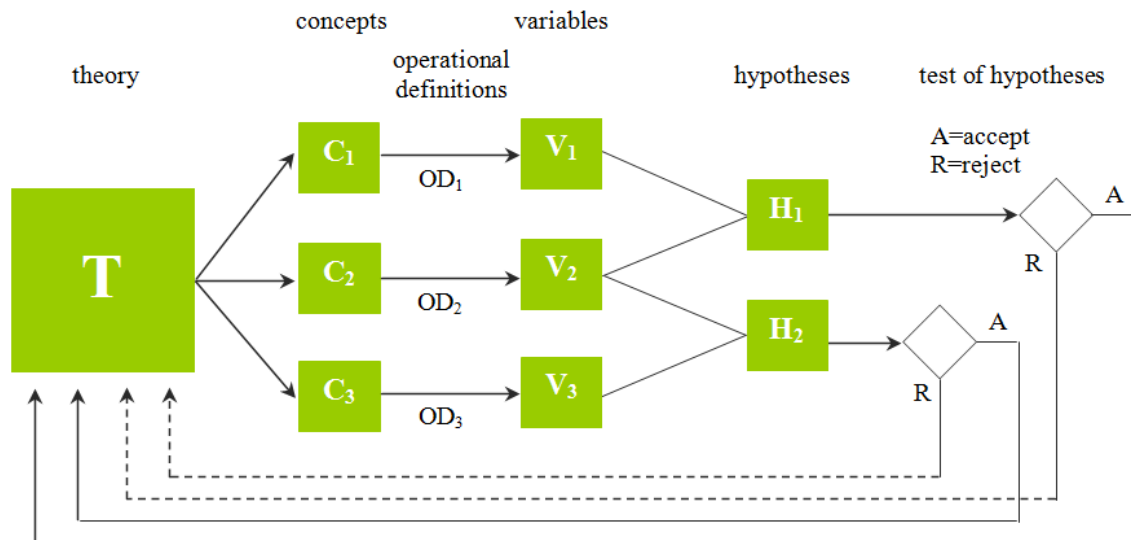


Figure 5.3 – Relationship among theory, concepts, variables and hypotheses

Source: (Pizam, 2005)

As can be seen in Figure 5.3, concepts, variables and hypotheses constitute the links between theory and empirical tests. Concepts are terms that refer to the characteristics of events, situations and individuals that are studied (Selltitz, Wrightsman & Cook, 1976, p.16 cited in Pizam, 2005). In order to test a theory or preposition, their nominal definition must be operationalised through quantification (Pizam, 2005). Operational definition consists in the reduction of the concept from its level of abstraction, by breaking it into its dimensions and elements (Sekaran, 2003). It includes a precise definition of the characteristics and how, specifically, the characteristics are to be measured (see Table 5.2). These operationally defined concepts were turned into variables, which were categorised into independent and dependent variables.



Table 5.2 – Operationalisation of variables

conceptual definition	operational definition
<b>degree of internationalisation</b>	
The degree of internationalisation have two specific dimensions: the degree of intensity of foreign activities with respect to the size of domestic activities (local, regional or national) and the degree of geographical extensity that is the degree to which the activity extends to many countries or regions. (Letto-Gillies, 2002)	<p>Weighted number of rooms abroad proportionate to the firm's total number of rooms (Ramón Rodríguez, 2002).</p> $NC \times \frac{NHA}{TNH}$ <p>NC is number of countries; NHA is number of hotels abroad; and TNH is total number of hotels.</p>
<b>network relationships</b>	
Relationships are commitment with partners in future exchange and relationships that comprise important elements of knowledge development, forming the platform for future business, thus broadening the companies' business network. (Forsgren et al., 2005)	These can take the form of business relationships (suppliers, costumers, competitors, etc.) or personal relationships (friends, family, co-workers, etc.)
<b>firm size</b>	
Firm size can be measured according to several indicators, such as sales volume (Agarwal & Ramaswami, 1992), total assets (Dubin, 1975; Kogut & Singh, 1988; Yu & Kiyohiko, 1988), equity and deposits (Cho, 1985), employee size (Norburn & Birley, 1988), number of rooms operated (in the case of the hotel sector) (Johnson & Vanetti, 2005) and domestic market sales (Kimura, 1989).	The firm size was measured by the number of employees.
<b>country risk</b>	
Socio-political, financial and operating risks incurred on the business by operating in a foreign country (Haner & Ewing, 1985)	The risk index was taken from the OECD Country Risk Classification, which classifies country risk into eight categories (lowest=0 and highest=7).
<b>cultural proximity</b>	
Indicates the proximity between countries, namely if they are contiguous, share a common language, have had a common coloniser, a colonial link or a colonial relationship.	The cultural proximity was based on the CHELEM database constructed by CEPII, which measures several variables with 0 or 1. <sup>1</sup>
<b>international experience</b>	
Indicates general knowledge about how to handle international operations.	It was measured by the number of years with international businesses.

Source: own construction

<sup>1</sup> Although Hofstede's (1980) cultural indexes has been extensively used in the literature to measure cultural distance/proximity, in this study it was rather difficult to use it as the cultural dimensions for the countries under analysis are not available. The CEPII database was used instead, which measures and relates several dimensions between two countries.



### 5.4.2.3 Hypotheses

As seen in Figure 5.3, from the theoretical framework, testable hypotheses can be developed to examine whether the theory formulated is valid or not. Hypotheses are important, indispensable and powerful tools of scientific research (Pizam, 2005) and, depending on the relationships between variables, they can be univariate (discuss a single variable), bivariate (express the relationship between two variables, one dependent and one independent) and multivariate (relate more than two variables). In this study there were used univariate and directional bivariate hypotheses.

As seen in the literature review, internationalisation traditionally has been examined using a single theoretical framework in the context of large manufacturing firms. Coviello and Martin (1999) argue that it is more relevant to examine different approaches in an integrated and holistic manner, because service internationalisation is too broad to be defined exclusively or examined by just one theoretical framework.

The importance of network relationships for firms' internationalisation has been demonstrated in several studies. It has been shown in the network approach that relationships can influence companies considerably. Being part of a network, firms could considerably quicken their internationalisation, given that, through network relationships, they can obtain the necessary resources, acquire skills and develop their capabilities, obtain access to other firms' knowledge, and gain market opportunities and access.

#### Relational factors

Formal and informal relationships influence the decision to internationalise, accelerating access or entry into new markets.

$H_1$  *Network relationships trigger and motivate firms to internationalise.*

Through network relationships, firms obtain access to knowledge on foreign markets.

$H_2$  *Business relationships are a source of information on knowledge about the host countries.*

The characteristics of companies may influence enterprises' internationalisation. The literature review on the conceptual framework regarding the internationalisation process and empirical evidence from studies conducted on Portuguese firms reveal several



characteristics that might explain their internationalisation pattern. The researcher decided to study the international experience, degree of internationalisation and company size.

### Company-specific factors

The international experience of the company influences the establishment of business relationships to internationalise.

H<sub>3</sub> *The establishment of business relationships is related with the firm's international experience.*

The company's degree of internationalisation influences the establishment of business relationships to internationalise.

H<sub>4</sub> *The establishment of business relationships is related with the company's degree of internationalisation.*

The size of the company influences the establishment of business relationships to internationalise.

H<sub>5</sub> *The establishment of business relationships is related with the size of the company.*

Institutional and cultural barriers are cited as major obstacles to foreign market entry. According to the traditional view of internationalisation, entering a foreign market is a matter of surmounting these barriers. The network theory, on the other hand, dictates that internationalisation is no more than a general expansion of the business firm, and for that reason is not affected by country borders. Forsgren et al. (2005) defend the combination of the two models, to what they call network approach to internationalisation. According to this, the firm internationalisation is dependent upon relationship-specific factors and country-specific institutional and cultural barriers. Therefore, economic, cultural and other differences influencing the firm's policy toward its foreign affiliates and their internationalisation should also be studied.

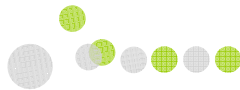
### Country-specific factors

The host country's level of risk influences the establishment of business relationships to internationalise.

H<sub>6</sub> *The establishment of business relationships is related with the level of political and/or economic risk of the host country.*

The cultural affinity between the company's country of origin and the host country influences the establishment of business relationships to internationalise.

H<sub>7</sub> *The establishment of business relationships is related with cultural proximity between home and host countries.*



### 5.4.3 Research design

After the development of the theoretical framework, it was necessary to design the research in a way that the required data could be gathered and analysed. The research design involved a series of rational decision-making choices, such as presented in Figure 5.4. One of the aspects to be decided was the geographical areas where the study should be conducted.

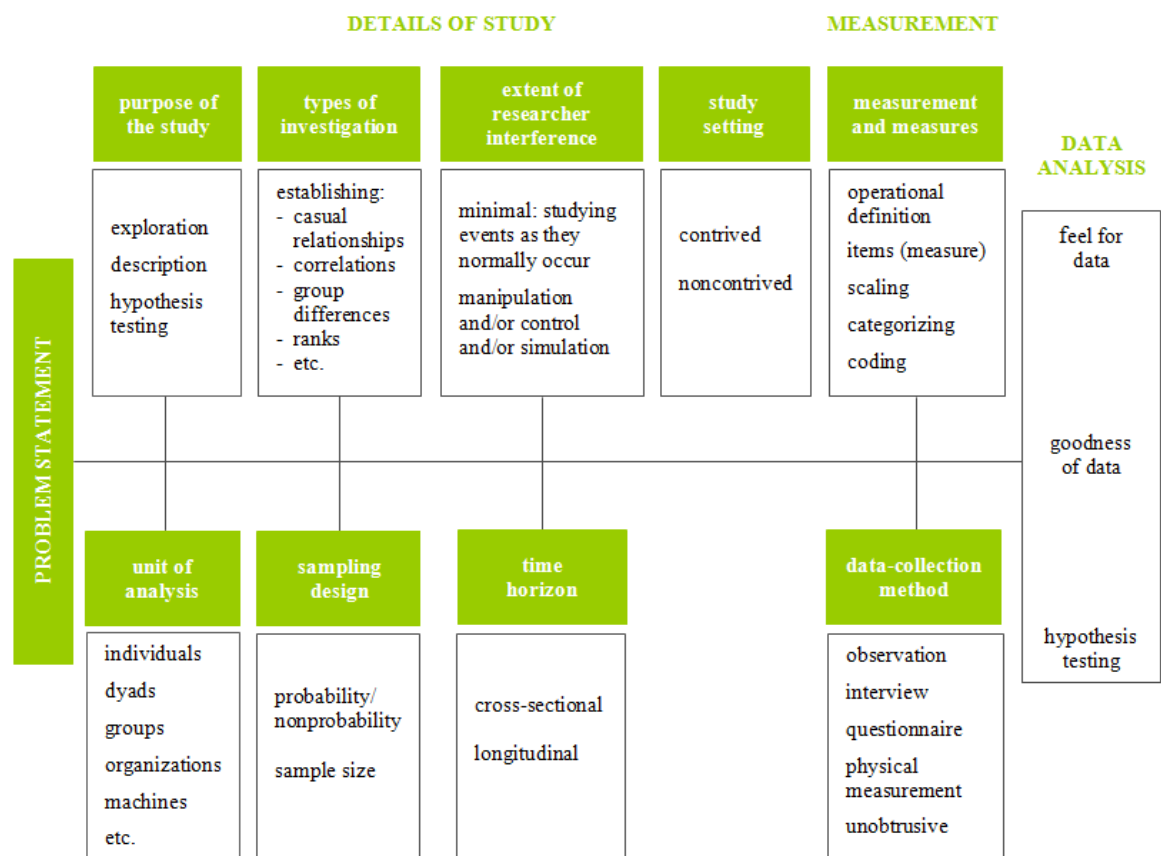


Figure 5.4 – The research design

Source: Sekaran (2003)

Regarding their purpose, studies can be categorised into exploratory, descriptive and casual or hypothesis testing. According to Sekaran (2003, p. 122), descriptive studies aim to (1) describe the characteristics of certain groups in a given situation, (2) think systematically about aspects in a given situation, (3) offer ideas for further probe and research, and (4) help make certain simple decisions. The goal of a descriptive study is thus to provide a profile or to describe relevant aspects of the phenomenon under study. One part of this thesis falls into this category, that is, the study conducted in Goa. However, the study in



Portugal engages in hypothesis testing. This type of studies offers an understanding of the relationship that exists among variables or establishes the differences among groups, or the interdependence of two or more factors, in a situation.

#### 5.4.3.1 Data collection

According to Pizam (2005, pp. 98-101), there are essentially three means of collecting data. It can be obtained (1) by the researcher observing the phenomena (participant and non-participant observation), (2) by the researcher communicating directly with the subjects (questionnaire, interview and projective methods), or (3) from secondary sources. All these three types of data collection methods were used in this study.

Secondary data, namely conceptual literature and empirical studies, was collected from several libraries (London School of Economics, London Business School, British Library, School of Oriental and African Studies of the University of London, University of Surrey, University of Aveiro, University of Goa, and Higher Institute of Economics and Management of the Technical University of Lisbon), and from bibliographic, abstract and full-text databases (B-On, ISI Web of Knowledge, Scopus, Science Direct, Emerald Insight, Proquest, Informaworld, Ingenta Connect, Springer, Taylor and Francis, CABI, among others). Statistical data was mainly collected from both public sources (Bank of Portugal, Reserve Bank of India and Government of Goa) and private sources (published and unpublished materials of various companies and NGOs).

In order to fulfil the aims of the thesis, it was necessary to engage in two different, but complementary, empirical studies: one in Goa and another in Portugal. For this reason, and having in mind the objectives of each study, different approaches were followed in order to collect primary data. The use of varied data collection methods (observation and direct communication) will be fully expanded in the following sub-sections. Nonetheless, in both studies the interview was the preferred primary data collection technique, and for this reason, some considerations will be made on its types and advantages.



Table 5.3 – Classification of interviews

dimensions	type of interview
context	formal   informal
structure	structured   semi-structured   unstructured
methodology	quantitative   qualitative   mixed methodology
number of participants	group (focus groups, focused interviews, Delphi, panel and nominal group techniques)   paired   individual
purpose	forecasting trends   achieving consensus   achieving an understanding of diversity of opinions, attitudes and values   achieving life stories or oral histories
composition of participants	expert panels   gendered   indigenous   cross-cultural

Source: constructed based on Jennings (2005)

Interviews can assume a range of categories, depending on their context, structure, methodology, number of people involved, purpose and composition of participants (see Table 5.3). Regarding the methodology that informs the overall research process, interviews can be quantitative, qualitative or use a mixed methodology. To be specific, structured interviews are associated with the tenets of a quantitative methodology, and semi-structured and unstructured interviews with a qualitative methodology (Jennings, 2005). The main differences between each of them are presented in Table 5.4.

Table 5.4 – Comparison of structured, semi-structured and unstructured interviews

descriptor	structured	semi-structured	in-depth or unstructured
style	specific protocol of question and answer	conversation-like	conversation
design	structured	semi-emergent	emergent
researcher stance	objective	subjective	subjective
researcher perspective	outsider (etic)	insider (emic)	insider (emic)
consequence of researcher stance and perspective	limited reflexivity	reflexivity	reflexivity
exchange issues during the research process	limited reciprocity	reciprocity	reciprocity
language used	subject/respondent data representation	informant, participant co-researcher empirical materials slice of life	informant, participant co-researcher empirical materials slice of life
material/data collection	checklist some open-ended questions	field notes transcription and recording	field notes transcription and recording
basis of analysis	mathematical and statistical analysis	textual analysis	textual analysis
‘findings’ expressed as	numeric representation	depthful and thick descriptions	depthful and thick descriptions
writing style for reporting research	scientific report	narrative	narrative

Source: Jennings (2005)



Interviews present a several advantages over the use of questionnaires. First and foremost, the response rate is usually higher, and this technique is more effective among interviewees with problems in answering questionnaires. Also, different interpretations of the same questions could be avoided. Furthermore, an interview affords insights into sensitive issues, since the interviewer may always notice whether, and to what extent, such questions may be asked to the interviewees (Costa, 1996).

#### 5.4.3.1.1 Goa

Preliminary research was carried out from January to March 2005, where the researcher mainly relied on nonparticipant observation and informal interviews with tourists (both foreign and non-Goan Indian tourists), local residents (those engaging in tourism or tourism-related businesses and in non-tourism activities), government officials and Non-Governmental Organisations (NGOs). These informal conversations, which took place in any setting where the researcher had contact with the interviewees, enabled the gathering of different views about tourism in Goa. Unstructured interviews were also conducted to Portuguese representations in Goa, namely the delegate of the *Fundação Oriente* (Orient Foundation) and the Chancellor of the Consulate General of Portugal in Goa, who were very helpful in providing useful information at the initial stage of the research.

Secondary data such as official statistics, policy documents and reports from the local and national Press (mainly the daily English language newspapers)<sup>2</sup> were also valuable sources of information. There was a certain amount of interesting material written by Indian authors, official entities and NGOs, most of which the researcher was only able to locate in Goa. Besides the Library of the University of Goa and in the Central Library, bookshops were a good source of helpful publications. For this reason, the bulk of the search and a substantial part of the review about tourism in Goa were undertaken during this stage.

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<sup>2</sup> The Herald Times, The Gomantak Times, The Navhind Times, The Times of India, The Hindu, The Telegraph and The Economic Times



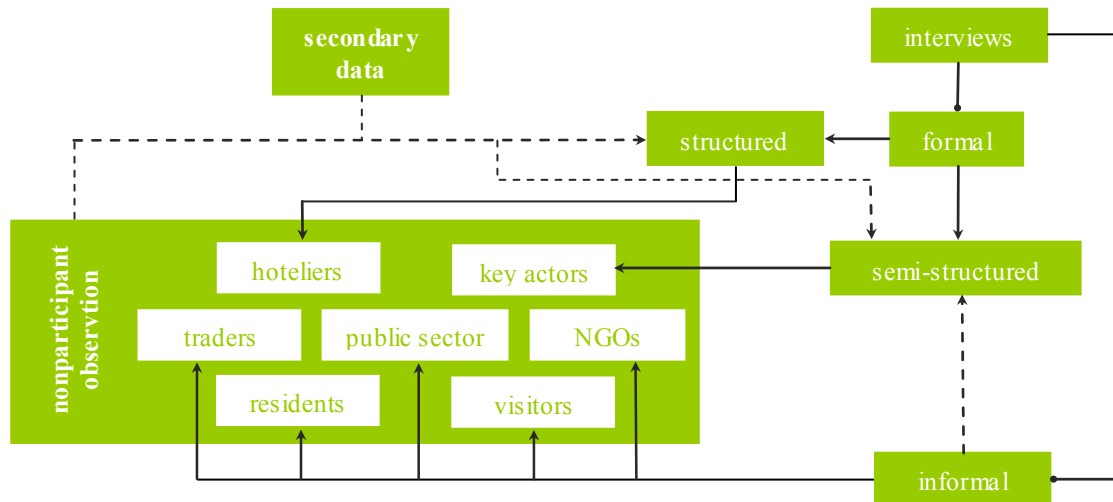


Figure 5.5 – Research methods used in the fieldwork in Goa

Source: own construction

The preliminary research consisted as a precursor to further planned research conducted in subsequent years (January to March 2006 and March to April 2007), aiming to learn more about tourism and the hotel sector in Goa. The use of multi-methods (see Figure 5.5) has resulted in a clearer understanding of the nature and extent of tourism development and its impacts, and the structure of the hotel sector.

Several semi-structured interviews (see Appendix 2) were conducted to public bodies, trade associations and Portuguese representations (see Table 5.5). These entities, which resulted from a snowball sampling process, are the most representative of each category they belong to. It was essential to interview private and public entities so as to capture both perspectives on tourism in Goa and to understand the strategic orientations for the sector. Contacts with Portuguese representations enabled to collect impartial standpoints and also to understand trade and political relationships between Portugal and Goa (and also India in general). Open-ended questions were used as the researcher was seeking to understand situations and gain insights into participants' perceptions. People were reluctant to talk in the presence of a tape recorder and felt insecure about having their comments recorded, so it was necessary to rely solely on interview notes.



Table 5.5 – Entities contacted for the semi-structured interviews in Goa

<b>public entities</b>	Goa Tourism Department Goa Tourism Development Corporation
<b>trade associations</b>	Travel and Tourism Association of Goa Goa Chamber of Commerce and Industry
<b>Portuguese representations</b>	Consulate General of Portugal in Goa Portuguese Embassy in New Delhi

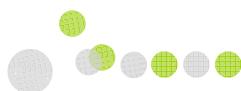
Source: own construction

In addition, an interview-questionnaire was used to survey the hotel sector. This technique was used because the researcher was aware about the great reluctance in survey participation in Goa and the low motivation to answer self-administered questionnaires. It was realised that the use of an interview-questionnaire would lead to better results in terms of response rate and data richness.

According to official statistics, there were 2,289 accommodation establishments in Goa in 2006. Given time and resource constraints it was not feasible to survey all accommodation establishments; therefore it was necessary to narrow down the population of the study. The researcher determined that the survey population would be composed only of hotels with higher quality standards. Hotel classification was used as the selection criterion, since it is the most common method of sorting hotels into different class levels.

There are two accommodation classification systems in Goa: the category specified by the Government of Goa and the star level rating provided by the Government of India. The former category, in spite of having specific regulations<sup>3</sup>, is a bit subjective and people are not very familiar with the designations (A, B, C and D). This classification seems to be important only for the purpose of State tax collection. On the other hand, the later category follows national specifications and is in line with international standards. For these reasons, the star classification was the chosen criterion. The researcher operationally defined higher quality standard hotels as high end and mid range star categorised hotels, specifically, 5 star deluxe, 5 star, 4 star, 3 star and heritage hotels.

<sup>3</sup> The Goa, Daman and Diu Registration of Tourist Trade Act (Act No. 10 of 1982) and Rules (Notification 5-16/81/WET of 1985)



The list of hotels to be surveyed was drawn from the official registry of the Department of Tourism of the Government of Goa. According to the Accommodation Directory, there were 38 hotels listed under those five categories. However, acquired knowledge based on personal observations and conversations with local informants, revealed some inaccuracies in the directory. For this reason, the researcher decided that the list should be checked by the local office of the Department of Tourism of the Government of India, given that this is the entity that grants the star classification. Surprisingly there was not a compiled list and it took the researcher several visits to the office to get the required information.

According to the records, there were 40 star rated hotels under the aforementioned categories. Although it was not a big gap in terms of the total number of hotels, the two lists had a number of disparities in the records of each category. The revised list showed that some hotels had already closed down, others were filed under the wrong star category, and some were missing from the Accommodation Directory. The final numbers considered for the purpose of the study are shown in Table 5.6. The totality of hotels (40) was contacted for the survey and all of them participated, which constitutes a general response rate of 100 percent.

Table 5.6 – Population size and response rate of the fieldwork conducted in Goa

<b>target population</b>	Accommodation establishments of Goa.				
<b>survey population</b>	High end and mid range star categorised hotels (40)				
	5 star deluxe	5 star	4 star	3 star	heritage
	11	7	4	16	2
<b>number of responses</b>	40				
<b>response rate</b>	100%				

Source: own construction

The interview-questionnaire (see Appendix 3) was structured into four different sections, consisting of closed-ended and open-ended questions (Table 5.7). Section A contains a set of questions which aims to analyse and describe the characteristics of the hotel; section B includes a group of questions which focuses on the company and its business relationships; section C intends to gather information on the clientele of the hotel; and finally, section D

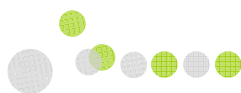


includes a group of questions which attempts to assess respondents' perceptions on the tourism sector in Goa.

Table 5.7 – Data collected and type of questions for each hotel

SECTION A – HOTEL	
category, star category, year of opening, location, hotel capacity, facilities, ownership, management, employees, turnover	categorical, multiple-choice, numerical, open-ended, fixed sum scale
The main objective of this part was to provide a brief characterisation of the accommodation establishment.	
SECTION B – COMPANY	
affiliations, company objectives, business relationships, importance of partnerships	dichotomous, open-ended, ranking scale, five-point itemised rating scale
The main objective of this part was to understand to what extent the company is integrated in business networks, namely through its affiliation in tourism associations and the establishment of partnerships with other companies. It also intended to survey the willingness of the company to establish partnerships with tourism companies (the Tourism Satellite Account classification was employed), and with Portuguese companies. A set of questions was used to verify whether partnerships are beneficial to the company, and in what way are they important.	
SECTION C – GUESTS	
type, nationality, travel motives, length of stay, spending, occupancy rate	categorical, fixed sum scale, ranking scale, open-ended, five-point itemised rating scale, numerical
The main objective of this part was to analyse and describe the characteristics of the guests of the hotel, namely if they are independent travellers or package tourists; if they are mainly domestic or international, and from which countries or parts of India do they come from; what are their main motives to visit Goa; how long they stay, how much they spend and what occupancy they generate in the different seasons. Questions regarding the Portuguese market were also introduced, namely to understand how significant it is for the hotel business and to check the company's willingness to attract more Portuguese tourists.	
SECTION D – TOURISM IN GOA	
constraints, government performance, types of tourism and tourists, geographical areas, future actions	ranking scale, five-point itemised rating scale, open-ended
The main objective of this part was to assess the perceptions of respondents on the main constraints to tourism development in Goa and the overall government performance in this sector. It also intended to determine the most attractive types of tourism, market segments and geographical areas. An open-ended question was introduced in order to scrutinise what actions should be taken in order to increase Goa's attractiveness as a tourist destination.	

Source: own construction



A previous version of the interview-questionnaire (see Appendix 4) was subject to scrutiny from both Portuguese and Goan scholars, and by trade professionals in Goa, namely a travel agent, a tour operator, a hotel owner and a hotel manager. After some amendments, the interview-questionnaire was later tested on four hotels. The examination process and the pilot produced constructive results and contributed to its improvement. Some parts were redesigned both in terms of content and format, and some questions were, for the first time, brought into the research.

In the first section, no remark was made regarding the questions about the characteristics of the hotel, and they were fully and easily answered by the respondents. It was, nevertheless, observed that questions regarding the ownership (Q7 and Q8), management (Q9) and turnover (Q10) needed some adjustments. In order to avoid confusion, the answer choices in Question 7 were replaced by the designations of legal business entities in India, and the layout of Question 8 was enhanced in order to make easier its handling and the use of the checklist. The number of answer choices in Question 9 was reduced, given that respondents took a while to understand the differences between the options and seemed to do not find it particularly relevant. Being aware that the question regarding the annual turnover was a sensitive area for respondents, it was necessary to transform it into a close-ended question (Hill & Hill, 2002). In view of the fact that the researcher was not familiar with the possible range of values, the assistance of the hotel manager was crucial in building up the categories.

The organisation and layout of section B were amended in order to improve the sequence and structure of the questions. In Question 15, the number of options to select and prioritise was reduced because it was observed that in ordinal questions most respondents got bored and distracted and, when questionnaires were returned, some questions were not fully answered (the same procedure was done in Q26, Q28, Q30 and Q32). Question 19 was extended (Q21 in the final version); introducing more reasons to form partnerships with other organisations. The list of reasons was adapted from Barringer and Harrison (2000) and the UNWTO (2003). Question 21 (Q19 in the final version) was reformulated as it became evident that respondents ticked all the options thus not leading to any relevant



conclusion. Instead of a multiple choice question, it was turned into a five-point itemised rating scale question. Given that English is not the native language of the researcher and that it has some singularities and differences of meaning in India, the language check of the questionnaire proved to be important to avoid some unnecessary misinterpretations. The word ‘partnership’, used in most of the questions on this section, needed to be replaced because it designates a legal business entity in India and could mislead respondents. For this reason, the word ‘relationship’ was used instead, and its definition was presented before the first question that used this expression.

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In section C, only two questions suffered alterations: in Question 26 more motives to visit Goa were added to the list, and as mentioned before, the number of options to select and prioritise was reduced; in Question 27, regarding the average length of stay and daily spending, a division between domestic and international tourists was introduced. One ordinal question about market segments was introduced into section D. Question 31 was replaced by an open-ended question providing a discussion about what actions should be taken in order to increase Goa’s attractiveness as a tourist destination (Q32 in the final version). This measure was taken since there was a general tendency to get high levels of agreement with the statements, and in order to avoid biased responses<sup>4</sup> the researcher decided to introduce an open-ended question. It was evident that complementary information could be gathered this way. The researcher also introduced in the final version of the questionnaire a place where respondents could make comments on anything they would like to. This later section dealt with some sensitive issues, such as the government performance regarding tourism and the problems that Goa face as a tourist destination, which included aspects such as corruption. In order to double-check the validity of the information collected, these matters were often informally discussed, in an indirect way, at the end of the interview when a closer and warmer relationship between the researcher and the respondent emerged. In some of the cases useful information about these issues was collected. Such information can be viewed as anecdotal data and analysed (Renzetti & Lee, 1993).

<sup>4</sup> It is culturally embedded the predisposition to give agreeable answers.



One final note to mention that in some close-ended questions, it was introduced the option ‘Other(s)’ as one of the choices, and respondents were allowed to state an optional response if they chose it. In the same way, in itemised rating scales, the ‘neutral’ option ‘Do not know/No reply’ was used. Non-response options in questionnaire design are used to evaluate the relevance of the questions to respondents and, at the same time, give them a chance to skip the question, so as to avoid random responses that would contribute to biased results (Foody, 1996; Hill & Hill, 2002; Ryan & Garland, 1999).

### » Considerations on cross-cultural research

Given that fieldwork was conducted in another country with different cultural mindsets, some considerations need to be made in order to fully understand the context in which the research was carried out. While conducting research as an outsider or a foreigner, the position of the researcher is often seen as disadvantageous (Zaheer, 1995). Gaining access to organisations is often problematic, especially in India; therefore, contacts and networks are doubly important, facilitating entry to them. Although, as a visiting scholar at the University of Goa, the researcher was acquainted with faculty members, and despite their helpful assistance, in some cases they did not have the right connections or power status, and warned about the difficulties in data collection. Trade professionals often see scholars as too far removed to understand business or to have anything useful to contribute to them, thus not participating much on academic activities.

Fortunately the researcher came across with key people that were of a great help. Right at the initial stage of the research, by a strike of luck, while taking a picture of the symbol of Sporting Club Portugal painted on the wall facade of a shop, the owner asked in Portuguese if it was our football team. This was the beginning of a long conversation, which revealed that he was the president of the local representation of the Portuguese team. But besides that, he was a well-established businessman with good knowledge on the tourism sector in Goa and with personal connections within the industry. His assistance turned out to be very fruitful by initiating a snowball effect in the network of contacts, which was crucial to conduct the study.

These contacts led to the director of the local branch of a big tour operator in India, who was vital for the excellent response rate achieved on the interview-questionnaire, given that



he had personal and business relationships with most of the hoteliers in Goa. Overall, hoteliers were accessed via personal introductions, networking *in situ*, or pre-booked appointments established on our behalf, while others were approached directly, in the hotel, with no previous notice. In the later case, it was not easy to gain their trust, agreement and involvement in the study. It was essential to present the visiting card, answer quite a few questions so as to check the credibility of the researcher, pass through several people, and in some cases to do repeated visits, until the right person was finally reached or was willing to participate in the study. It is worth mentioning that it was indispensable that respondents had a good knowledge on the functioning of the hotel and the company that runs the hotel. For this reason only people engaged in senior management positions were interviewed.

Besides appointment delays<sup>5</sup>, it was necessary to adapt to time uncertainty<sup>6</sup>, interruption of interviews<sup>7</sup> and be prepared to answer personal questions, which in India are not seen as intrusive, rather as friendly (Wilson, 2004). Although language barriers were not an issue, since all interviewees spoke English (or Portuguese), it was necessary to become acquainted with the spoken English in India, which has some singularities and differences of meaning. Gender issues<sup>8</sup> and power differences<sup>9</sup> were seldom felt, maybe because we had status by association with key people.

It is nevertheless worth to mention a case where power difference was clearly evident. The researcher intended to interview the Minister of Tourism in order to get more insights regarding tourism policies, politics, planning and administration. Even though he agreed to participate in the study, in two different occasions (March 2006 and April 2007), the interview was never made. In the first attempt he asked the researcher to call his personal

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<sup>5</sup> Prearranged appointments can often be delayed by hours because of India different attitudes towards time, therefore it was necessary to adapt and adjust to this temporal attitude. It is usual to joke with the fact that in India, instead of 'International Standard Time', IST stands for 'Indian Stretchable Time' (Davies, 2004).

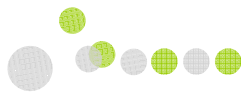
<sup>6</sup> It was never clear how much time was available. Sometimes interviews had to end before all issues had been covered, thus making us to quickly decide which topics to cover.

<sup>7</sup> It was frequent interviews being interrupted by phone calls or by impromptu visitors entering the room where the interview was being conducted, to ask for a signature on a letter or report, or to ask for some information. Although in our Western standards it is improper, this behaviour should not be interpreted as rude or reflective of sloppy work habits since it is a question of culture and climate (Gesteland, 2002).

<sup>8</sup> Women have a low status in India, although in Goa this issue is no so acute.

<sup>9</sup> The hierarchical structure of interpersonal relationships is embedded in the socio-cultural background and usually has implications on business and research.





assistant a few days later to schedule a meeting, despite all the three intervenients were in the same room and the appointment could have been arranged at that time. The countless phone calls were unfruitful, as the personal assistant kept postponing and giving different excuses. In the following occasion, the researcher managed to set up a meeting through his secretary. On the scheduled date, and after a waiting period of three hours, he alleged that, since the elections' Model Code of Conduct<sup>10</sup> had come into effect, he could not disclose any information regarding tourism policies and cancelled the meeting. Given that the researcher is not a voter, nor the information to be gathered intended to be used to influence the voters, it was obvious that he had never real intention to talk with the researcher.

Despite these aspects that shaped the course of the fieldwork, and the disadvantages of being an outsider, the researcher believes that, in some cases, being a foreigner provided a higher status and exacerbated distance. The fact that the researcher was not part of local social networks, and had no power relations, enhanced the degree of openness and trust. Nevertheless, in India there is a general tendency to give socially pleasing answers (Wilson, 2004), which incurs the risk of responses being somewhat limited and biased. Cultural sensitivity was thus needed in understanding and interpreting answers.

A bonus on the fact of being foreigner was the nationality of the researcher. Given the cultural and historical links with Portugal, many respondents felt at ease and were quite happy to participate in the research. Nonetheless, having in mind that Goa is a former Portuguese colony and that not everyone in Goa is a Portugal enthusiast, there was the risk that this study might suggest a postcolonial endeavour. For this reason and to avoid 'data rape' (Wilson, 2004), considerations were made in order to ensure that results from the study would be published in a way which is accessible to both researchers and organisations in Goa. A research paper has been published in an edited book in India (Breda, 2005), and afterwards it became freely accessible in the websites of the Government of Goa and Ecumenical Coalition on Third World Tourism (ECOT).

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<sup>10</sup> The Model Code of Conduct was framed by the Election Commission of India and is applicable to all candidates, political parties, State Government and Union Government, prohibiting ad-hoc appointments in government and public undertakings which may have effect of influencing voters in favor of the party in power.



#### 5.4.3.1.2 Portugal

The object of study of the fieldwork conducted in Portugal was composed of Portuguese companies investing abroad in the hotel sector. Given that the universe of these companies is not known, attempts were made so as to build a database as complete as possible. In order to accomplish this task, several entities that, to some extent, monitor the Portuguese investment abroad were contacted (see Appendix 5 for the detailed list). These include the Portuguese Business Development Agency and all its overseas delegations, bilateral chambers of commerce, business associations, embassies and other governmental agencies. Figure 5.6 shows the countries covered in this process, revealing that in some cases data collection was unattainable, either because it was not possible to contact entities (the correspondence was returned as undeliverable) or because there was no feedback from them. Tourism-specific authorities in Portugal were also contacted, namely the National Tourism Institute (*Turismo de Portugal*), the Association of Hotels of Portugal, and the Portuguese Tourism Confederation.

The building up of the database also resulted from an extensive search on secondary sources, fundamentally online tourism-specific news services, which report practically all movements in the industry, and the economic press<sup>11</sup>. This systematisation allowed identifying the firms, but also, in most of the cases, their investment projects abroad. This is the case of firms already internationalised, but also of firms with ongoing projects in foreign countries. Given that the number of the later category was substantial and that these firms fit on the purpose of the study, the researcher decided to include them on the database. The international operations under analysis report to the period until the end of 2007.

<sup>11</sup> Publituris, Turisver, Ambitur, Portugal Digital, Opção Turismo, Turismo na Web, Presstur, Diário Económico, Jornal de Negócios, Semanário Económico, Diário Digital, Brasiltur, Expresso, Portugal News.

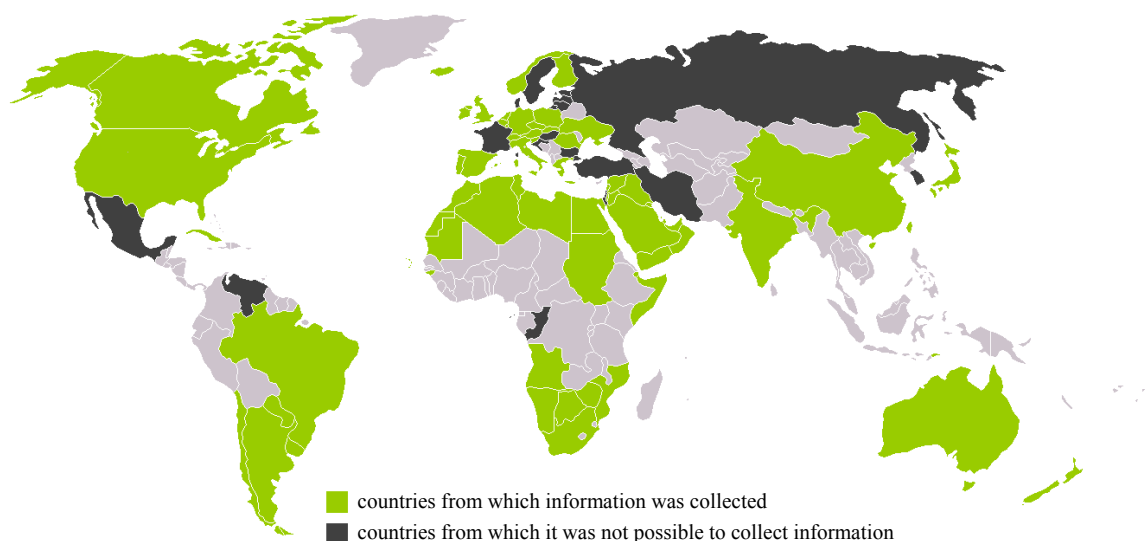


Figure 5.6 – World coverage of data collection on Portuguese FDI

Source: own construction

Most of the information provided by the entities was incomplete. In some cases, no contact details were provided, only the name of the hotel or the company were given. In order to complete the missing information, the researcher made an extensive search on the internet and established contacts with trade professionals. When the name of the hotel was known, it was possible to get its contact details and an email was sent requesting the confirmation of the origin of the capital invested and the contact of the company in Portugal. The researcher got feedback in just a few cases. When the name of the firm was provided, in some cases, it was possible to find its contact; but most of the times it proved to be a difficult task, since it referred to companies established in host countries, with no indication about the parent firm(s) in Portugal.

After a thorough screening process of the collected data, which sometimes involved the direct contact with the companies, the initial list composed of 94 entries ended up being reduced to 62. There have been excluded the cases where there was no investment abroad (3), firms that have sold their hotels or were not exploring them (2), enterprises belonging to Portuguese emigrants or locals with Portuguese citizenship (6), private investors (10), companies who were just managing capital participation (1), companies promoting real state investments (3), firms that were assessing overseas investment but did not have projects underway (4), foreign companies (2) and a private institution of public utility (1).



Of these, for the study purpose, the researcher only considered 35 firms, excluding 19 companies whose origin of the capital was not possible to confirm and 8 ventures whose owners were not possible to identify. However, from the analysis of the available information, some of these ventures suggest either investment made by private investors or by Portuguese emigrants. The 35 final records comprise 24 companies already internationalised and 12 firms that have investment projects in progress (Table 5.8).

Table 5.8 – Population size and response rate of the fieldwork conducted in Portugal

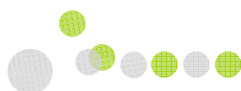
target population	Portuguese companies investing abroad in the hotel sector.		
survey population		companies already internationalised	companies with international projects in progress
	35	23	12
number of responses	14	9	5
response rate	40%	39.1%	41.7%

Source: own construction

After the identification of the survey population, and given that its number was small, the researcher contacted all companies by telephone, to the general number of the headquarters. As the researcher aimed to target the executive's office, it was necessary to pass through several layers of secretaries, always explaining the aims of the study and requesting an interview with the chief officers. This initial phone call, which sometimes served as a way to identify the right interlocutors (albeit in most of the cases they had been previously identified), was frequently followed by an email directed to them or their secretaries, detailing the purpose of the study and requesting to schedule an interview. To achieve the desired goal has been neither easy nor fast, quite the contrary. If in a few cases the feedback was immediate and positive<sup>12</sup>, in others, the lack of response prevailed. Since one of the most successful techniques to increase response rates is the use of multiple contacts with members of the sample<sup>13</sup> (Dillman, 2000), the researcher established various follow-up contacts (email and telephone), and even used personal connections working within the industry to reach them. Moreover, in order to validate the importance of the study and to

<sup>12</sup> In one particular case, the CEO and founder of a large company phoned directly to schedule the interview as soon as he received the email.

<sup>13</sup> Other approaches include simple and attractive questionnaire design, persuasive communication to encourage participation and incentives or rewards for participation (Dillman, 2000; Dillman, Eltinge, Groves, & Little, 2002; Groves & Couper, 1998; Porter & Whitcomb, 2003; Tanner Jr., 1999).



request participation in the survey, a member of the Directive Council of the National Tourism Institute (*Turismo de Portugal*) contacted all companies that had not responded hitherto. Although people are more likely to comply with a request when it comes from an authority viewed as legitimate (Porter, 2004), the effort revealed to be fruitless, as just two companies gave positive feedback.

Of the 35 companies contacted, only 14 agreed to participate in the study, which means that the overall response rate was 40 percent (39.1 percent for the internationalised firms and 41.7 percent for the companies with international projects underway). To a large extent, this response rate reflects the lack of interest of Portuguese firms to respond to non-mandatory surveys (CISEP & CEGEA, 2001) and also reveals some apprehension in disclosing information because of perceived costs of their responses being made public, particularly smaller companies (it has been assured confidentiality though). Nevertheless, this result can be regarded as good considering that response rates to business surveys are often quite low, ranging from 10 percent to no higher than about 50 percent (Tarnai & Paxson, 2004), and that average top management response rates are in the range of 15 to 20 percent (Menon, Bharadwaj, Adidam, & Edison, 1999). Additionally, studies targeting Portuguese firms confirm the tendency of low participation in research studies: 19 percent (Castro, 2000), 12 percent (CISEP & CEGEA, 2001), 17.1 percent (Crespo, 2004), 33 percent (Fernandes, 1999), 22 percent (Lages & Montgomery, 2005), 9 percent (Luís, 2004), 15.3 percent (V. Magriço, 2003), 28 percent (Martins, 2005), 36 percent (Raposo, 1996).

Evidence confirm that survey response rates have been falling, both in the United States and in Europe (Atrostic, Bates, Burt, & Silberstein, 2001; Baruch, 1999; de Heer, 1999; Dey, 1997; Steeh, 1981), thus survey non-response has become a serious problem for researchers (Porter, 2004). Given that survey non-response is usually not random, it may introduce bias into survey results (Groves, 1989), thus being important to test for non-response effects and, if necessary, make corrections to the original data in order to maximise validity (Dey, 1997). Nonetheless, a low response rate need not affect the validity of the data collected (Templeton, Deehan, Taylor, Drummond, & Strang, 1997). In fact, Hunt (1990) defends that in social science, especially when examining relationships,



there is not the need to have high survey response rates to attain research goals. Valid generalisations can still be achieved from studies with low response rates (Tanner Jr., 1999), as long as there is variance to be explained in a data set (Hunt, personal communication cited in Wilson, 1999).

Studies in general practice have found that there are few differences between responding and non-responding groups, particularly when demographic characteristics are examined (Bostick, Pirie, Luepker, & Kofron, 1992; Cockburn, 1988; McDonald, 1993). This suggests that a high response rate is not necessarily a prerequisite of a valid survey (Sobal & Ferentz, 1989), and efforts made to increase the response rate may not always result in data that are any more representative of the sampled population (Leslie, 1972). Other studies also revealed very few meaningful differences between respondents and non-respondents in surveys (Curtin, Presser, & Singer, 2000; Groves, Presser, & Dipko, 2004; Keeter, Miller, Kohut, Groves, & Presser, 2000; Merkle & Edelman, 2002).

Nonetheless, respondents are likely to be different on substantive issues compared with non-respondents (self-selection bias) (Armstrong & Overton, 1977; Moore & Tarnai, 2002; Wilson, 1999). In fact, Woodside and Ronkainen (1984) found that, while demographics may be similar, respondents may differ substantially on other characteristics and behaviour patterns compared to non-respondents. Dillman (1991) also suggests that, although no significant differences can be found in some variables, it is not possible to know whether differences exist on those variables of interest that led to the decision to conduct the survey. This has resulted in the response rate being seen as a proxy for non-response bias despite the lack of correspondence between these two concepts (Dillman, 1991; Groves, 1989).

In the face of the inevitability of survey non-response, the critical questions are what are the effects of non-response and what can be done to minimise its adverse effects. According to Pike (2007), there are two ways in which non-response can lead to biased estimators. First, non-response bias can occur when respondents and non-respondents differ on survey variables. This type of bias will vary according to the dimension of non-response and the difference between respondents and non-respondents on survey variables. A second type occurs when response rates differ across subgroups, and the subgroups



differ in their mean responses to survey questions. However, the extent to which differences in the response rates of subgroups affect the results of co-relational studies is a matter of some debate (Dey, 1997; Du Mouchel & Duncan, 1983).

In view of the above, there is the need to have methods of dealing with data generated by survey efforts when response rates are not high, in order to check non-response bias. Weighting adjustments can compensate for bias when there are differences in the response rates of subgroups, those subgroups differ significantly on the survey variables, and there are not meaningful differences between respondents and non-respondents (Pike, 2007). An alternative is triangulation, allowing for low response rates in otherwise rigorous work that includes qualitative research as well as quantitative findings (Tanner Jr., 1999).

One of the ways is to carefully check for response bias using known characteristics of the sample frame. That means that handling response rate issues requires some knowledge regarding the population in which the sample was drawn. This was the case given that when the database was constructed, a series of information about all companies was collected and incorporated. Cases were grouped into classes based on the information accessible on the dataset. The decision about what classes to use was based on convenience (data availability), but also on appropriateness, given that classes were formed from characteristics that might be related to survey variables and the response variable.

Table 5.9 – Sample representativeness of classes

	population	sample
Is the company a hotel chain?		
yes	34.3%	14.3%
no	65.7%	85.7%
Is the company integrated in a business group?		
yes	42.9%	64.3%
no	57.1%	35.7%
Is the company already internationalised?		
yes	65.7%	64.3%
no	34.3%	35.7%

Source: own construction



Table 5.10 shows that although the figures vary between the two groups (population and sample), similar trends can be identified in terms of the existence of a hotel chain (for this purpose it was considered a company exploring two hotels or more) and whether the company is already internationalised or not. The greatest discrepancy concerns the integration of companies in business groups. This might be explained by the fact that bigger companies usually are more willing to participate in this type of studies. The results thus indicate that the sample is representative of the survey population in the classes under study, with the exception of this bias towards the companies integrated in business groups. Nevertheless this was not seen as an important limitation of the methodology because these enterprises generally are the ones engaging in international businesses as a result of a strategic orientation, as opposed with independent firms, especially small-sized companies, who often regard overseas investment as an isolated operation. A reasonably good spread of respondents is present in the sample, with sufficient representation of different types of firms: small and big-sized, born-globals and late entrants, hotel chains and independent hotels, firms integrated in a business group and independent firms, hotel-specific firms and firms with other activities.

Besides these three characteristics which were available in the dataset, it was decided to calculate the degree of internationalisation of each enterprise. Since there is no consensus in the literature on how to measure the degree of internationalisation of hotel firms (Beattie, 1993; Kundu, 1994; Slattery, 1996), the researcher decided to use the different approaches adopted by Rodríguez (2000). Table 5.9 also reveals similar trends between the population and the sample, regarding seven indicators that measure the degree of internationalisation.



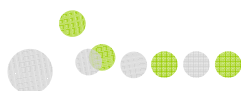


Table 5.10 – Sample representativeness in terms of degree of internationalisation

	population	sample
DI1 – number of countries where the company operates in the hotel sector		
0	34.3%	35.7%
1	57.1%	50.0%
2	2.90%	7.10%
3	2.90%	7.10%
more than 3	2.90%	0.00%
DI2* – number of hotels abroad proportionate to the firm's total number of hotels		
DI3* – number of rooms abroad proportionate to the firm's total number of rooms		
0.00 – 0.25	48.6%	56.1%
0.26 – 0.50	11.4%	14.3%
0.51 – 0.75	8.60%	7.10%
0.76 – 1.00	22.9%	21.4%
DI4* – number of hotels abroad proportionate to the firm's number of hotels in Portugal		
0.00 – 0.50	57.1%	64.3%
0.51 – 1.00	2.90%	0.00%
1.01 – 1.50	8.60%	14.3%
more than 1.50	0.00%	0.00%
DI5* – number of rooms abroad proportionate to the firm's number of hotels in Portugal		
0.00 – 0.50	54.3%	64.3%
0.51 – 1.00	5.70%	7.10%
1.01 – 1.50	5.70%	0.00%
more than 1.50	2.90%	7.10%
DI6 <sup>a</sup> * – weighted number of hotels abroad proportionate to the firm's total number of hotels		
0.00 – 0.50	57.1%	64.3%
0.51 – 1.00	25.7%	21.4%
1.01 – 1.50	0.00%	0.00%
1.51 – 2.00	5.70%	14.3%
2.01 – 2.50	0.00%	0.00%
more than 2.50	2.90%	0.00%
DI7 <sup>b</sup> * – weighted number of rooms abroad proportionate to the firm's total number of rooms		
0.00 – 0.50	57.1%	71.4%
0.51 – 1.00	25.7%	14.3%
1.01 – 1.50	0.00%	0.00%
1.51 – 2.00	5.70%	14.3%
2.01 – 2.50	0.00%	0.00%
more than 2.50	2.90%	0.00%

a)  $NC \times \frac{NHA}{TNH}$ , where NC is number of countries; NHA is number of hotels abroad; and TNH is total number of hotels.

b)  $NC \times \frac{NRA}{TNR}$ , where NC is number of countries; NRA is number of rooms abroad; and TNR is total number of rooms.

\* The totals do not add up to 100% because some companies either do not have hotels in Portugal or abroad, or both things, thus making impossible to calculate the indicator for such cases (DI2 and DI3 – 3 cases for the population; DI4 and DI5 – 11 cases for the population and 3 for the sample; DI6 and DI7 – 3 cases for the population).

Source: own construction



In addition, SPSS was used to compute the Mann-Whitney test<sup>14</sup> in order to determine whether the degree of internationalisation of the responding firms differ significantly from those of the non-responding firms. No statistically significant differences exist at the 0.05 level for any of the selected indicators (Table 5.10).

Table 5.11 – The Mann-Whitney test statistics (degree of internationalisation)

	DI1	DI2	DI3	DI4	DI5	DI6	DI7
p-value	0.848	0.601	0.498	0.743	0.572	0.699	0.562

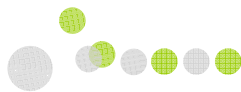
Source: own construction

Response bias exists where characteristics of respondents differ from the characteristics of non-respondents. The results suggest that non-response bias does not pose a problem for the interpretation and generalizability of the findings of the study<sup>15</sup>. Consequently, the sample can be considered representative of the target population given that the group of respondents resembles the group of non-respondents, at least on the measured traits in the dataset. It is thus possible to infer that there is some basis (although not a conclusive one) for generalising the results to the larger group, that is, respondents are representative of the full population.

Interviews took place, between August 2007 and February 2008, at the headquarters of each company, and therefore have required the researcher several trips to Lisbon and to a number of other cities in Portugal. The interviews targeted those who had responsibility over the area that was being studied (mostly chief executive officers but also administrators), and ranged from one hour to three hours duration, always depending on their tight agenda and the degree of internationalisation of the firm. In some occasions, two people were present for the interview, because the contact person wanted to ensure that all the sought information could be provided, thus taking someone along who was knowledgeable enough to fill in gaps. In other occasions, despite being a single respondent, all efforts had been made to endow with the required information (in particular specific

<sup>14</sup> This test was used instead of the T-test because the normality requisite was not complied.

<sup>15</sup> It is important to note that although the non-response bias test did not show significant differences in terms of the sample characteristics, systematic variation in the answers provided may exist. However, given the variety of firms in the sample, the risk of this type of bias seems rather low.



data on the company), namely through several contacts with assistants or by providing public company reports and internal documents, thus showing a genuine interest on the subject and on providing accurate data. Interviews were ideal to gain more insights and afforded the possibility of asking clarifying questions. However, on two occasions, it was necessary to communicate again with respondents in order to rectify some encountered inconsistencies.

The choice of this data collection technique hence relates to the fact that face-to-face interviews are more enlightening and allow the collection of supplementary information. Additionally, interview-questionnaires have proved more powerful than questionnaires in research processes which deal with relational questions. They allow the inclusion of open-ended questions as well as the collection of spontaneous information which emerges from the interaction established between the interviewer and the interviewee (Costa, 1996). For the interview it was decided to engage on a quantitative approach with a standardised questionnaire. This questionnaire was not for the interviewee's self-completion, it was only for the guidance of the researcher. However, it was necessary to hand out to the respondent some questions for self-completion that intended to rank or rate several items (Questions 12, 13 and 15 of the Part 1). The interview was structured but it did not consist solely in completing question by question, it was more like a long conversation where the questionnaire served as a guiding starting point.

Two entities were chosen to test the questionnaire, and resulting from these initial interviews no changes needed to be done. This might be explained by the fact that previous versions of the interview-questionnaire were subject to scrutiny from several scholars. Giving the complexity of the thematic, some modifications were suggested and new questions were introduced. Some specific studies also supplied important practical ways in which some issues could be researched (Brito, 2001; Castro, 2000; Costa, 2003; Fernandes, 1999; Jerónimo, 2003; Magriço, 2000; Martins, 2005; Serra, 1993; Viana, 2006). Therefore, some of these issues were brought into the questionnaire, which included two parts (see Tables 5.11 and 5.12): one related to the general characterisation of the company and general aspects of the process of internationalisation (see Appendix 6), and another to obtain specific information on each overseas hotel (see Appendices 7 and 8). The trade-off



between ease of data treatment and analysis (favouring closed-ended questions) and validity of responses (open-ended questions, although being more difficult to catalogue and interpret, are more likely to elicit the actual thinking of respondents and provide richer information) was considered.

The initial intention was to analyse and interpret the data collected from the questionnaires in an aggregate level only. However, the interviews enabled to capture longitudinal information, which is a relevant issue when considering the internationalisation process, and to gain a business perspective on the field investigated (Gordon & Langmaid, 2000). Therefore, given that the number of cases is not high, in addition to the quantitative analysis at the aggregate level, when appropriate, cases were treated on an individual basis and some of the collected data was subjected to a qualitative analysis only. By treating each case as an individual study, rather than a sampling unit, enabled to provide richer information.

Case studies are preferred when ‘how’ and ‘why’ questions are to be answered and when the focus is on a current phenomenon in a real-life context (Yin, 2003). This approach provides excellent opportunities for researchers to optimise understanding of a particular situation or problem, thus having the potential to deepen the understanding of the research phenomenon, especially when the area of research is relatively less known (Ghauri, 2004). Therefore, by combining qualitative and quantitative approaches, this thesis aims to contribute to a better understanding of the internationalisation phenomenon.

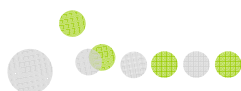


Table 5.12 – Data collected and type of questions for each firm

PART 1 – COMPANY	
SECTION A – FIRM	
headquarters, start-up year, activities, capital, turnover, hotels and their capacity, employees, company objectives	open-ended, numerical, ranking scale
The main objective of this part of was to provide a brief characterisation of the company, in terms of its age and entrance year in the hotel business, main activities, source and volume of social capital, turnover (total amount and the percentage resulting from tourism and overseas activities), employees and human capital, size (number of hotels, rooms and beds in Portugal and abroad) and company goals.	
SECTION B – GROUP	
integration in a business group, firms' and tourism activities' contribution to group's turnover, international business areas, date of first overseas investment, location of international operations, tourism activities	dichotomous, open-ended, numerical, multiple choice
The main objective of this part was to find out if the firm was part of a business group, to unveil the representativeness of the firm in terms of the turnover of the group, and to provide a brief description of its international activities and geographical coverage.	
SECTION C – INTERNATIONAL EXPERIENCE AND BUSINESS RELATIONSHIPS	
first international experience, international coverage, internationalisation determinants, difficulties, importance of business networks and partnerships, affiliations	open-ended, dichotomous, five-point itemised rating scale, ranking scale
The main objective of this part was to analyse and describe the international experience of the firms in the tourism sector, namely by inquiring about when and where they started their overseas experience, and on which markets they operates. It also intended to understand which factors companies value in order to engage in international operations and the main difficulties they face while doing it. It also surveyed their affiliation in tourism associations, the importance they attach to being integrated in business networks to facilitate internationalisation, and a set of questions was used to verify whether partnerships are beneficial to the company, and in what way are they important.	
SECTION D – FUTURE PERSPECTIVES	
future projects, disinvestment, interest about Goa and market knowledge degree	open-ended, dichotomous, five-point itemised rating scale
The main objective of this part was to assess future investment projects and the interest of the firm to invest in Goa. It intended to determine the willingness of the company to establish partnerships with Goan companies.	

Source: own construction

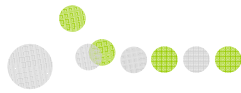


Table 5.12 – Data collected and type of questions for each overseas hotel

PART 2 – INTERNATIONAL VENTURES	
SECTION A – HOTEL	
type of establishment, star category, year of opening, location, hotel capacity, facilities, employees, turnover, investment	categorical, numerical, open-ended, multiple choice
The main objective of this part was to provide a brief characterisation of the accommodation establishment.	
SECTION B – GUESTS	
origin, importance of tour operators, motives, length of stay, spending, occupancy rate	numerical, ranking scale
The main objective of this part was to analyse and describe the characteristics of the guests of the hotel, namely if they are independent travellers or package tourists (and the percentage of this that travel with a package organised by Portuguese travel operators); if they are mainly domestic or international, and what percentage come from Portugal; what are their main travel motives; how long they stay, how much they spend and what occupancy they generate in the different seasons.	
SECTION C – MOTIVATIONS AND DIFFICULTIES IN THE INTERNATIONALISATION PROCESS	
investment trigger, market knowledge, type of investment, operation form, partnerships, competitive factors, investment evaluation, incentives	categorical, five-point itemised rating scale, multiple choice, open-ended, numerical
The main objective of this part was to analyse in which context the investment project emerged and describe the importance of business relationships. It also intended to understand the market knowledge prior to the investment, how the company acquired the knowledge and what source was the most important one. In addition it surveyed the type of investment and form of operation. In case the investment was a partnership venture, some information was asked in order to characterise the partner (nationality, business activity, firm size and type), and if the partner was a key element for the investment decision-taking. What motives for that particular investment, difficulties felt and competitive factors were also raised. Finally, questions were raised about the use of public incentives, both Portuguese and from the destination country.	

Source: own construction

As in other methods of data collection, one important aspect to decide is the target population, and to assess the accessible population. Out of this, the cases should be selected based on criteria that are consistent with the research problem (Sekaran, 2003). In this situation, cases were not selected; they represent part of the population that was contacted and agreed to participate in the study, thus being convenience case studies.



However, there is a reasonably good spread of respondents, with sufficient representation of different types of firms: small and big-sized, born-globals and late entrants, hotel chains and independent hotels, firms integrated in a business group and independent firms, hotel-specific firms and firms with other activities.

Case studies involve data collection through multiple sources such as verbal reports, personal interviews, observation and written reports. The main features are therefore the depth of and focus of the research object. It is necessary to collect sufficient information to characterise and explain the unique features of the case, as well as to point out characteristics that are common to several cases. Although initially cases were not thought as case studies, the richness of data collected from the interviews and secondary data (internal reports and published data on the companies) allowed the use of multiple sources of information. The study of documents was tremendously useful for preparing interview questions and for checking information mentioned in interviews, thus constituting a rich source of information both in pre-interview and post-interview situations.

#### 5.4.3.2 Data processing and analysis

After the data was collected, the next step involved its analysis in order to test the research hypotheses. However, before starting to analyse the data to test hypotheses, it is necessary to complete some steps. According to Sekaran (2003), these steps help to ensure that the data is reasonably good and of assured quality for further analysis. Figure 5.7 illustrates the four steps in data analysis: (1) getting data ready for analysis; (2) getting a feel for data; (3) testing the goodness of data; and (4) testing the hypotheses. The feel for data can be acquired by examining the measure of central tendency and by checking how clustered or dispersed the variables are. Testing the goodness of data can be accomplished by checking the reliability and validity of the data, while hypothesis testing is achieved by choosing the appropriate statistical tests to determine whether or not the hypotheses are substantiated.

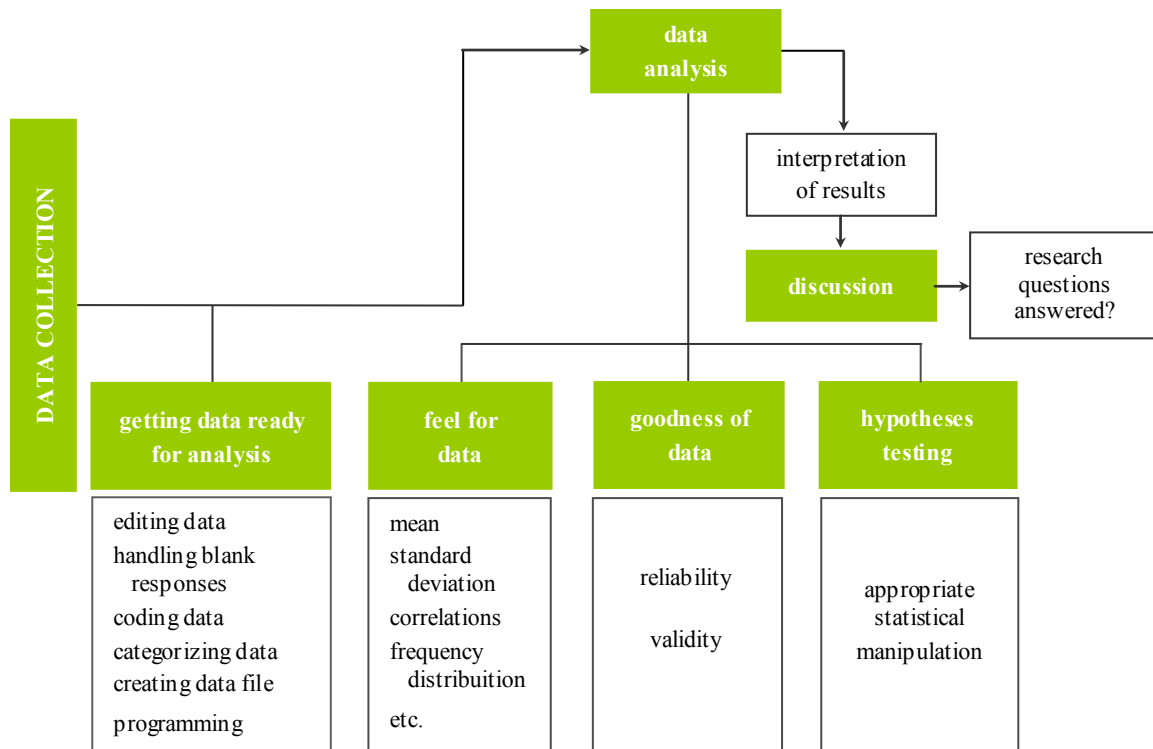


Figure 5.7 – Flow diagram of data analysis process

Source: (Sekaran, 2003)

The analysis was based on data obtained from both secondary and primary sources. The qualitative information was subjected to a simple content analysis, while quantitative information collected was treated using the software SPSS. A set of statistical analyses were used, including:

- where appropriate, tests on various assumptions (normality of distribution, linearity of the relationship and homogeneity of variance);
- where appropriate, transformations to normalise data or obtain homogeneity of variance between groups or attain linearity between variables;
- descriptive statistics (mean, medians, and measures of variation);
- parametric and non-parametric inductive statistical analysis.

Due to the small sample size in both empirical studies (40 establishments for the study conducted in Goa; 14 companies corresponding to 39 establishments for the study conducted in Portugal), it was not possible to perform some statistical techniques. In the





next chapters, along with the results, it will be presented the specific techniques used to test each of the hypotheses.

As mentioned before, although cases were not thought as case studies, due to the small number of cases and the richness of the data collected, when appropriate, a more qualitative approach was adopted in order to examine underlying factors that influence firms' choice of strategy.

## 5.5 Summary and conclusions

This chapter started by briefly presenting some considerations on epistemological and methodological issues in social sciences, followed by a brief restatement of the study goals. The rationale of the study and the research framework was discussed, followed by the outline of the research design, focusing on the main steps related to data collection and analysis.

Regarding data collection, two different, but complementary, empirical studies were carried out. The study in Goa aimed at gaining insights on the territory as a tourism destination and to analyse the structure of its hotel sector. In order to accomplish that several research methods and techniques were used. A preliminary research was carried out using nonparticipant observation and informal interviews with tourists, local residents, government officials and NGOs. Unstructured interviews were also conducted to Portuguese representations in Goa. In addition, secondary data was also a useful source of information. Subsequently, further planned research was conducted, and several semi-structured interviews were conducted to public bodies, trade associations and Portuguese representations. In addition, an interview-questionnaire was used to survey the mid-range and upscale hotel sector, being contacted all the establishments meeting this criteria and the response rate was 100 percent. The use of multi-methods has resulted in a clearer understanding of the nature and extent of tourism development in Goa and the structure of its hotel sector.

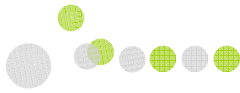
The fieldwork conducted in Portugal targeted the Portuguese companies with overseas operations in the hotel sector. Given that the universe of these companies was not known,



it was necessary to engage in a comprehensive survey in order to build up a list as complete as possible. Several entities were thus contacted and an extensive search on secondary sources was also conducted. This resulted in the identification of firms already internationalised and their respective hotels, but also firms initiating their international operations, which were also incorporated in the study. After a thorough screening process of the collected data, the final sample was constituted by 23 companies. All of them were contacted, however the response rate was only 40 percent. General sample characteristics were presented and it was discussed the representativeness of the sample. No statistically significant differences were found between the sample and the population. Despite the low response rate, the structured interviews with key decision makers of each of the firms that agreed to participate in the study, combined with secondary data, generated information on build case histories, thus being possible to present richer information.

After discussing and justifying the methodological choices for this research, the next two chapters present the results of the empirical studies.

**markets with different  
socio-cultural and political  
settings » the case of Goa**



## 6.1 Introduction

One purpose of this chapter is to provide a characterisation of Goa as a tourism destination, by starting to present a brief description of the region (section 6.2), followed by a detailed evolution of its tourism industry development (section 6.3), namely the tourism administrative structure and policies, the composition of its tourist demand and the impacts generated by this activity. A second objective is to present evidence on the accommodation sector (section 6.4), giving special emphasis on the mid-range and upscale hotels (section 6.5). For this purpose, primary data was collected in Goa, aiming to characterise the hotels, its guests and the firms that own them. The importance of business networks and partnerships (section 6.6) and opportunities and challenges for Portuguese companies (section 6.7) were also examined. Data were analysed using the SPSS software and profiled by frequencies and averages.

## 6.2 Brief characterisation of Goa

Goa forms the twenty-fifth state of the Union of India, being conferred statehood in 1987, and is the smallest one, encompassing an area of 3,702 sq. km. It is located on the west coast of India in the Konkan region, between the Western Ghats and the Arabian Sea, and is bounded by the State of Maharashtra in the north and the State of Karnataka in the east and south (Figure 6.1). It has a coastline of 106 kilometres of which 65 kilometres consist of sandy beaches.



Figure 6.1 – Location of Goa



The State comprises three administrative levels: the district, the *taluka*<sup>1</sup> and the villages. It has two districts, North Goa and South Goa, which are further divided into eleven *talukas* – Pernem, Bardez, Bicholim, Tiswadi, Ponda and Satari in North Goa; and Mormugao, Salcete, Quepem, Sanguem and Canacona in South Goa (Figure 6.2). The State's capital is Panaji (Tiswadi), which is also the headquarters of the north Goa district, whilst Margao (Salcete) is the headquarters of the south district. Other major cities include Vasco da Gama (Mormugao) and Mapusa (Bardez).

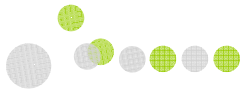


Figure 6.2 – Administrative map of Goa

Source: Angle (2001)

Like in other States of India, Goa has its own elected government, run by a Council of Ministers and headed by a Chief Minister, who is responsible for the legislature. The government is formed by the political party that secures majority in the Legislative Assembly elections. It has also a presidentially appointed Governor who may assume certain broad powers when directed by the central government. Within the State there is a three-tier structure of administration (Figure 6.3). The district is the most important unit, which in turn are divided into sub-units, and is administered by a *zilla panchayat*. The *talukas*, comprising several villages or village clusters, are administered by the so called *panchayat samiti*. The governmental bodies at the village level, which are the lowest level

<sup>1</sup> A *taluka* is an administrative unit smaller than a district and is made up of a number of villages.



of subdivisions in India, are the *gram panchayat*. Municipalities in small urban areas are governed by Municipal Councils and Panaji is administered by a Municipal Corporation.

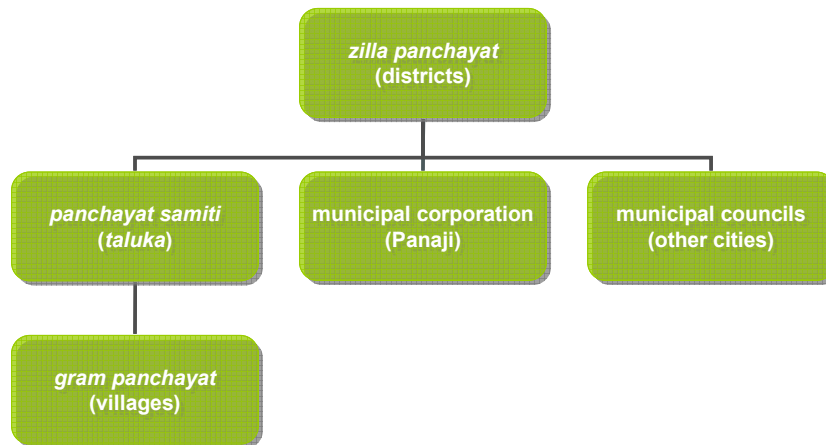


Figure 6.3 – Administrative division of Goa

Source: A. D'Souza (Collectorate Department of North Goa), personal communication, February 10, 2006

According to the 2001 Census of India, Goa has a population of 1.34 million. It is a melting pot of religions, being Hindu (65.9 percent), Christian (26.7 percent) and Islamic (6.8 percent) the main religious communities. The socio-cultural diversity is also represented in the number of spoken languages, being the most widely used languages the Konkani, which is the official language of Goa, Marathi, Hindi and English, which are used for official, literary and educational purposes. The use of Portuguese fast declined following the end of the Portuguese administration.

Goa was ruled by the Portuguese for four centuries (until 1961) and the first *taluka* to be established was Tiswadi in 1519, followed by Bardez, Salcete and Mormugao. These four *talukas* comprise the territory designated as Old Conquests, whilst the seven remaining *talukas* are known as New Conquests. The different stages of the Portuguese colonisation paved the way to the territory's pattern of growth, and subsequently the post-Liberation period reinforced the same development pattern. The coastal *talukas* have a higher level of accessibility and infrastructural development compared to the hinterland *talukas*. The same geographical concentration pattern can be found in terms of both tourism supply and demand indicators.



The beaches of Goa constitute the main attraction of the State. For tourists seeking other nature-based experiences, the territory also offers beautiful landscapes, lakes, rivers and waterfalls. Besides its outstanding natural resources, Goa possesses a rich cultural heritage which resulted from the abiding contact with the Latin culture. The marks of the Portuguese are present not only in the numerous churches and forts scattered all over the State and in the characteristic architectural style, but also in the way of living of the Goan people. The territory has also distinctive Hindu temples, mainly concentrated in the Ponda *Taluka*. The temperate climate and the warm hospitality of the local people complement the bouquet of tourism assets.

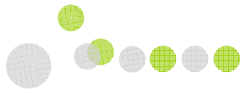
Goa is visited every year by thousands of international and domestic tourists, handling a considerable percent of all foreign tourist arrivals in India. The Economic Survey 2003-04 (DPSEGG, 2004) stated that despite its small size, both in terms of area and population, Goa is a major contributor to the foreign exchange earnings of the country. It receives over 10 percent of foreign tourists visiting the country, and 15 percent of the nation's foreign exchange earnings from tourism are generated in the State annually. Tourism, along with mining, agriculture, commerce and trade, manufacturing and fisheries, is one of Goa's main industries. Goa is one of the richest States in India, with a GDP per capita substantially higher than the all-India per capita income, and with an overall GDP growing at an annual rate of over 8 percent (DPSEGG, 2008).

### 6.3 The tourism industry in Goa

#### 6.3.1 Tourism administration and policies

Prior to the Second World War, tourism in Goa existed in a very restricted scale. Goan emigrants and visitors (Indians and foreigners) used to visit Goa on holidays, arriving by boat and train coming from Mumbai. They used to arrive mainly from November to May and stay in modest hotels, in rented rooms in private houses or with their friends and relatives. The main destinations were Calangute, Panaji and Colva (former officer of the Centre of Information and Tourism, personal communication, February 23, 2005).

Calangute was by then an already well-known beach destination and people used to flock there during April and May. In 1938, a local family built the first tourist infrastructure,



aiming to provide accommodation, food and entertainment for visitors during the summer season (former officer of the Centre of Information and Tourism, personal communication, February 23, 2005). Soon after, other entrepreneurs set up palm shacks also providing accommodation and eatery facilities. In the same year, at Miramar, a similar structure of palm leaves was built on the beach. In 1952 a three star hotel surged in Panaji, and shortly a two star hotel opened in Vasco da Gama (president of TTAG and chairman of the tourism committee of GCCI, personal communication, April 7, 2007). The two hotels were named after Goa's prominent rivers, Mandovi and Zuari, respectively. In Colva, small shacks were constructed to cater the needs of visitors coming from the rest of India and also from abroad, during the period from March to May.

Goa has always exerted an attraction towards its neighbouring states even before its independence from the Portuguese administration. However, the flow of Indian tourists to Goa came to an abrupt end from 1958 to 1961, as result of the measures introduced by the Government of India to impose blockage to Goa so as to force the Portuguese to leave the territory (former officer of the Centre of Information and Tourism, personal communication, February 23, 2005). However, this measure did not produce any political change; instead it affected greatly the tourism in Goa in view of the closed borders with India.

The tourism industry was under the responsibility of the municipalities, whose jurisdiction was restricted to the respective *taluka*. The Head of Office of each *taluka* was in charge of maintaining a strict vigilance over the waste disposal and other hygienic problems. In 1959, the Central Government in Portugal enacted a decree creating, in all Portuguese overseas provinces, separate directorates of tourism under the name of *Centro de Informação e Turismo* (Centre of Information and Tourism) (former officer of the Centre of Information and Tourism, personal communication, February 23, 2005). The legislation on tourism was to be enacted to suit the needs of each province, thus, the draft rules and regulations were forwarded to the Goa, Daman and Diu Legislative Assembly. These rules envisaged a Tourism Fund to take care of tourism infrastructures. As soon as the new directorate was set up in the beginning of 1960, a comprehensive plan was drafted, aiming to beautify the beaches of Miramar, Calangute and Colva (former officer of the Centre of Information and



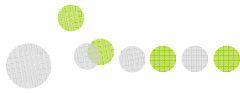


Tourism, personal communication, February 23, 2005). Notwithstanding these advances, the activities of Centre of Information and Tourism were a bit constrained since the borders with India and Goa were closed and the inflow of tourists was limited.

Soon after the Liberation an effort was initiated by the Government of India to encourage and develop tourism. It split the Centre of Information and Tourism into two distinct departments: the Department of Information and Publicity, and the Department of Tourism (former officer of the Centre of Information and Tourism, personal communication, February 23, 2005). Under the new department, plan schemes were formulated to develop tourism. Hence, substantial investment from the Government was injected on Goa's tourism industry (both from the State Government and from the Central Government, through the inflow of Five Year Plan (FYP) funds), providing facilities for accommodation, transport and recreation, as well as the development of the beaches.

The shacks at Miramar were taken by the Department of Tourism and were replaced by a large complex. The Tourist Hostel (now Residency) came up in 1966; one year later a similar structure was erected in Calangute, and tourist cottages were built in Colva (former officer of the Centre of Information and Tourism, personal communication, February 23, 2005). Most of this accommodation was set up to cater for the needs of low and middle income tourists in areas identified by the Department of Tourism as conducive to the development of tourism. Calangute and Colva were developed as tourist growth centres; the main criterion employed to identify those areas was the proximity to the already established centres of Panaji and Margao. The private sector was also encouraged to set up hotels in different parts of the territory and aiming at higher market segments. The total number of lodging facilities in the territory (including Daman and Diu) rose from 25 with 453 beds in 1961 to 49 hotels with 1,048 beds in 1964 (TECS, 1975, 1976).

The expansion of tourist accommodation, transport and recreation facilities and other services led to a phenomenal growth of tourist traffic into the territory. In 1967 there were 1,350 beds in hotels and boarding houses. However, the majority of beds available were found in tourist accommodation of lower categories; only 320 beds were available in higher quality hotels (Government of India, 1973). This was clearly unsatisfactory as the



number of tourists increased greatly and the number of beds almost remained static. Such shortage of accommodation reflected on the tourist demand. The number of foreign tourists was very small compared with the number of tourists visiting the entire country; in 1967 they represented only 2 percent of tourists in India (Government of India, 1973).

In 1982, the State Government established the Goa Tourism Development Corporation (GTDC) as an autonomous body, with the aim of dealing with the operations in the tourism sector and to provide budget accommodation, sightseeing tours and river cruises. With the inception of GTDC, a clear cut division of tourism related activities has emerged; whereas the Department of Tourism has been entrusted with the responsibility of planning, promotion and providing the tourist infrastructure and basic facilities, and the GTDC has been designated to deal with the commercial aspects of the tourism industry. In the same year, the State Government has enacted the Goa Registration of Tourist Trade Act, and in 1985 it has framed the Goa Registration of Tourist Trade Rules (Government of Goa, 2000). Goa is still one of the few states within India where a special legislation has been enacted to regulate and control tourist activities. In order to enforce the provisions of the legislation, a special police body was created in 1991. The designated Tourism Police Force has been deployed at places of strategic importance to also provide guidance and protection to visitors<sup>2</sup>.

In 1987, the Government of Goa, through its Town and Country Planning Department (TCPD), prepared a draft master plan for tourism development (Government of Goa, 1987) as a result of the boom in tourist arrivals experienced in mid-1980s. This plan provided statistical data about the situation of tourism in Goa, introduced the concept of “holding capacity” and intended to disperse tourism development by the establishment of demarcated areas that could fall under three categories according to their natural characteristics. However, the plan failed in gathering people’s support as it presented some measures that violated the policy decisions of the Government of India with regard to the conservation of beaches, and soon it became a target of fierce opposition from Non-Governmental Organisations (NGOs) and local groups (see Alvares, 2002). Opponents to

<sup>2</sup> In early 2009, the central government has framed guidelines for all state governments and union territories to form a separate police force, called Tourist Security Organisation, constituted by former army personnel for the security and safety of travellers. This initiative was prompted by the death of a 15-year-old British tourist girl in Goa in February 2008 and the Mumbai terrorist attacks in November.

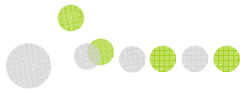


the plan contested that the impact of tourist activities on Goan socio-economic structure had not been investigated in depth. It was also pointed out that it only intended to promote beach tourism, aiming at Western tourists and the elite of the Indian society. In face of that, the Government of Goa decided to withdraw the plan.

Subsequently, in 1989, the State Government, with the assistance of the World Tourism Organisation (UNWTO) and the United Nations Development Programme (UNDP), undertook a study on carrying capacity in terms of growth and development of tourism in Goa, in order to ascertain the threshold of development (UNWTO, 1994; UNWTO/UNDP, 1989). The study, designated to provide input into the preparation of a comprehensive regional tourism plan, determined that not more than 70 percent of the beach should be developed. It also recommended a beach carrying capacity of 40 square meters per tourist. Notwithstanding this attempt to provide some insights on tourism development and impacts, the study has been subject to criticism since it had limited its scope only to the coastal belt, assuming this to be the primary site of ongoing and future development and thus overlooked the potential of hinterland areas for tourist activities (CES, 2001).

In April 2000, as a result of the positive impacts that tourism has produced upon the economic structure, the Government of Goa has declared it as an industry (see Notification 3/29/99-IND of the Department of Industries published in the Official Gazette (Extraordinary), Series I N.º 1 of 6-4-2000), being the first State in India to accord this status to the tourism sector. Sequentially, a new master plan for tourism development was prepared (see CES, 2001) and the government adopted a tourism policy for Goa (see Government of Goa, 2001).

The new master plan recommended the diversion of tourism from beach areas to the vast hinterland region, estimating a total bed capacity of 62,776 by the year 2021. This projection deserved the opposition of NGOs, who contended that a discussion of the environmental demands associated with each of these beds was fairly nonexistent in the plan. Moreover, they stated that “the Tourism Master Plan prepared by Consulting Engineering Services (CES) is a disgrace and a crime because a lot of good forest produce went to make the paper on which it was finally printed” (Alvares, 2002, p. 217).



The new tourism policy has acknowledged a leading role of the private sector in the development of tourism in the State; the role of the Government being primarily that of infrastructure provider and investment facilitator. Emphasis has been placed upon the diversification and value-addition of the tourism product; and a mention to tourism impacts has been made. While this is more sensitive than earlier pronouncements to local concerns, it does not go far enough to address the concerns for a sustainable and quality coastal tourism. Generally, the tourism policy keeps being essentially a reactive one.

In 2003, the Government adopted the Goa Industrial Policy (see Notification 1/49/2000/S(IND)/Vol. II of the Department of Industries, Trade and Commerce published in the Official Gazette (Extraordinary), Series I N.º 18 of 6-8-2003), identifying some forms of tourism as a thrust area for focused attention, namely heritage tourism, adventure tourism, event tourism and ecotourism. More recently, the Regional Plan for Goa 2021 (Government of Goa, 2008) advocates the need for a new state-level master plan based on a sustainable vision. It focuses on the need to overhaul beach tourism and on the development of eco-friendly upscale projects.

In terms of the administrative structure (Figure 6.4), tourism is under the responsibility of the Ministry of Tourism and Housing, which encompasses a Secretary of Tourism, whose areas of action also include ports, river navigation, sports and youth affairs. The Tourism Department, under the administration of this secretary, is responsible for planning and providing the basic tourist infrastructure and other tourist facilities/amenities, as well as for the promotion of Goa in various tourist related events in India and abroad. It also exercises control over hotels and travel trade activities through regulatory measures. Other tourism-related bodies include the Entertainment Society of Goa (ESG), which is in charge, among other things, of the International Film Festival held every year; the Goa Handicrafts Rural and Small Scale Industries Development Corporation (GHRSCIDC), which deals with the promotion of arts and handicrafts in Goa, in addition to assisting rural and small scale industrial units; and the aforementioned Goa Tourism Development Corporation, one of the key nodal agencies. The GTDC is in charge of running commercial tourist activities,



such as accommodation units, sightseeing tours and cruises for the low and middle income groups.

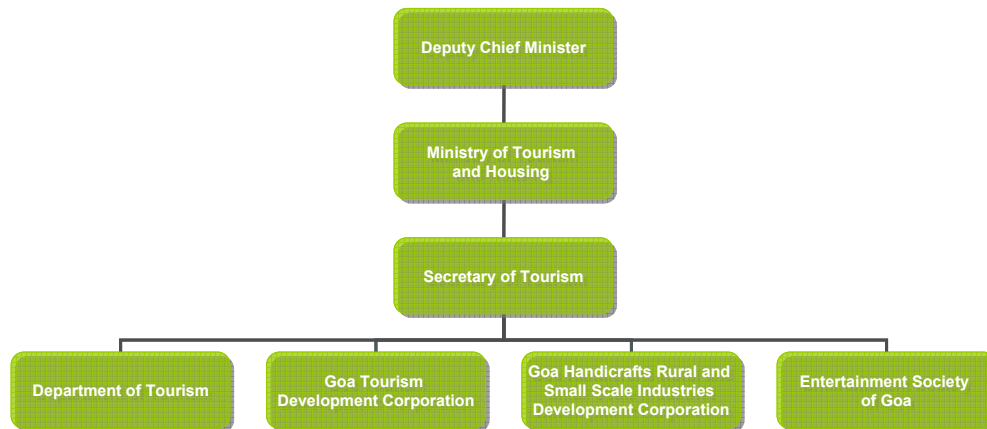


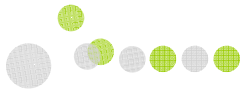
Figure 6.4 – Tourism administrative structure

Source: A. D'Souza (Collectorate Department of North Goa), personal communication, February 10, 2006

### 6.3.2 Development of the tourism sector

Tourism started to develop in Goa only after the independence of the territory from the Portuguese administration. Before the Liberation, many visitors travelled to Goa with a religious motive, to visit friends and relatives or just for sightseeing. Another factor of attraction was the good quality and inexpensive liquor available in great quantities. The tourist traffic was low, being its ratio to the local population almost insignificant. There was clearly no formalised effort to develop tourism in this period.

Goa only drew the attention of the international tourist community during the 1960s. The beaches became the paradise of the hippies, who settled there to laze and to party, making it one of the key points of the “hippy circuit” in Asia since “it was cheap, beautiful, had a good climate, good food, available drugs and few hassles” (Newman, 2001, p. 214). According to Harding and Thomas (2003), the modern-day tourism in Goa began with “the heady flower power of the 1960s and 70s”. However, over the years, as a growing number of this type of travellers used to gather in Goa’s beaches, the State started to gain an unwanted reputation as a den of drugs, all-night partying and nudism, which naturally upset the local population.



Since there were little or no accommodation facilities, these travellers threw up palm shelters on the beach or rented rooms in village homes (P. Noronha (former officer of the Centre of Information and Tourism), personal communication, February 23, 2005). Latter, hotels and beach shacks began to proliferate in the most popular areas, as locals began to realise that they could benefit from the presence of these travellers.

Although the hippy scene clearly characterises the tourist demand during this period, few other types of foreign tourists visited the State, as well as a large number of domestic tourists, who began to visit Goa “to get a look at the infamous debauched Westerners” (Harding & Thomas, 2003, p. 15).

It was not until the mid-1970s that the Government of Goa realised the economic potential of the tourism sector. With the support of the Central Government, which had a policy of supporting the tourism industry and started to encourage direct charters to beach resort areas as an effort to diversify from traditional products related with culture and heritage to leisure and adventure tourism, Goa started to be strongly promoted as a tourist destination (Mahajan, 1992). The State Government responded to the invasion of hippy tourists with the introduction of charter flights catering for higher-income tourists. Since then, the growth of tourism has been rapid, experiencing an increase in the numbers of middle and upper-class tourists, both foreign and domestic.

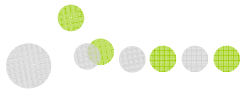
Goa was already an established backpacker destination when the first regular charter arrived in 1985, coming from Germany. The arrival of charter flights brought in a new type of tourist that triggered a construction boom of accommodation facilities to meet the needs of these tourists, who were short-staying but high-spending package tourists. Five-star luxury beach resorts began to spring up in some of Goa’s deserted beaches, like Cavelossim, Varca and Majorda. These resorts, containing lawns, swimming pools and golf courts, were mainly owned by outside interests, who were not particularly concerned about the strain that these facilities produced on Goa’s water resources; giving instead very little back to the local economy (Alvares, 2002). For this reason, protest movements against tourism began to emerge, raising issues like pollution, cultural disruption, social



exploitation and uncontrolled consumption of scarce resources at the cost of the local people (Sen, 1998, 1999).

It was at this time that the profile of the average tourist began to change. The hippies who settled in Calangute during the 1960s, as soon as this place started to become overdeveloped, moved away to more secluded beaches, especially to Anjuna, which is today a popular hang out for independent backpack travellers (Larsen, 1998) and very representative of the “circuit of white psychedelic culture” (Saldanha, 2006) (for more on the Goa trance scene and music tourism in Goa see (Rosenfield, 1998; Saldanha, 2002b, 2005)). Those areas initially frequented by hippies have been replaced by young “neo” hippy Western travellers and subsequently by international package tourists and by domestic tourists. Calangute is today a mix of a mass international charter resort area and a destination of crowds of domestic Indian visitors (although in a smaller scale), with little evidence of non-tourist related economic activities or the village’s original character (McCabe & Stocks, 1998). This rapid development started to spread out to the neighbouring beaches. In fact, there are already no distinct boundaries between them; instead there is a continuous stretch of beach from Sinkerim to Baga, as a result of massive development of tourist structures on the beach.

In the 1990s, the tourism sector has grown greatly. The demand it has placed upon resources and infrastructures has brought major concerns about its impact on the environment and local communities, raising considerable debate about what development strategy should be followed in the future. Nevertheless, it should be noted that the tourism growth in Goa has not been homogenous. There are disparities in the scale, type and stage of development in the different parts of the territory, as well as in market segments that they attract, which range from domestic day visitors, inter-state tourists, international charter package tourists, Western independent travellers and high-income tourists. In some areas, different types of tourists compete for the same resources.



### 6.3.2.1 Growth and structure of tourist demand

Data on tourist traffic during the Pre-Independence period is not available; however it is known that the number of tourists staying in hotels totalled 6,608 in 1961 (TECS, 1976). These tourists were mainly Portuguese businessmen, Government officials and visitors; Goans, settled in other parts of India and in Portuguese colonies in Africa, who used to come on holidays; and a few Indian nationals visiting their friends and relatives in Goa or coming on religious pilgrimage to the territory (Government of Goa, 1986; TECS, 1976). A few foreigners also used to come at the invitation of the Portuguese Government. In the period between 1954 and 1961, occasional charter tours used to arrive from Northern Europe and Japan, but they came to a sudden halt as a result of the incursion made by the Government of India to Goa (P. Noronha (former officer of the Centre of Information and Tourism), personal communication, February 23, 2005).

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Nonetheless, after the Liberation all the efforts made by the Government in order to promote actively tourism development were compensated. Total tourist arrivals increased from 6,608 in 1961 to 57,045 in 1966, representing nearly a 9 fold increase, with a growth rate of 53.9 percent per annum. Between 1961 and 2007, the tourist inflow to Goa increased at an average annual growth rate of 13.8 percent. This rapid growth is observed in both the domestic and foreign tourist flows (Figure 6.5).

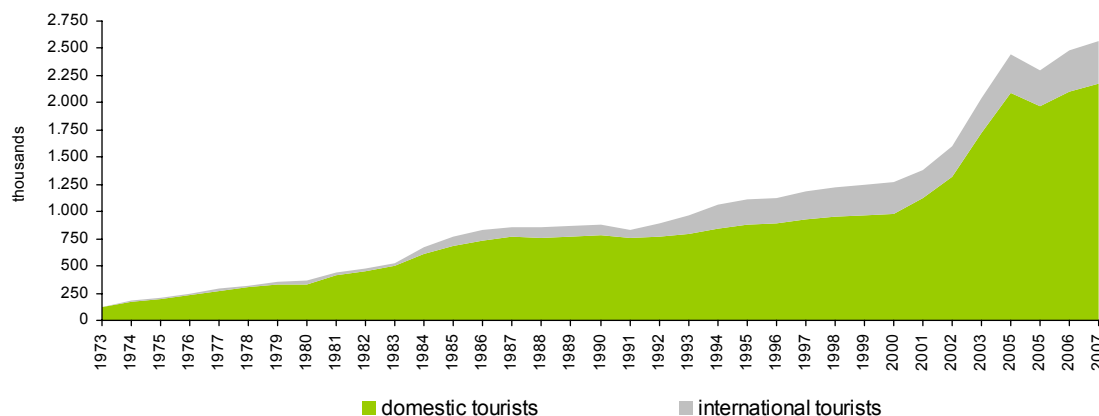


Figure 6.5 – Tourist arrivals in Goa, 1973-2007

Source: Government of Goa (1987, 2006, 2008); TECS (1976)





The growth trend of domestic tourism has been generally positive and quite consistent, especially in the 1990s. Conversely, growth rates regarding international tourism have not been stable, with fluctuations occurring, and even experiencing declines in 1981, 1991, 2001 and 2005 (Figure 6.6). Although evidencing a cyclic pattern, these breakdowns were caused by different factors, most of them related to the economic and political context at the international level.

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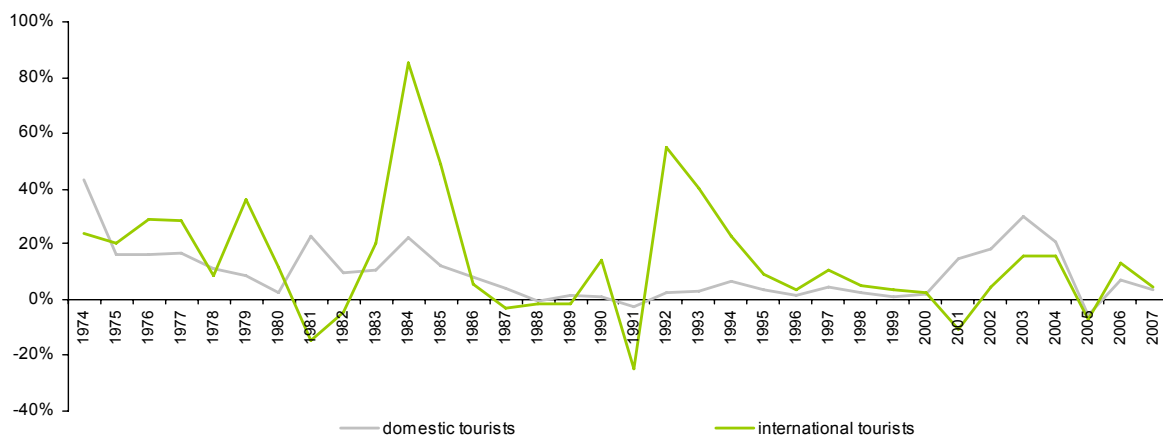
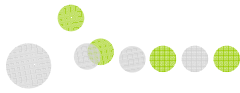


Figure 6.6 – Annual percentage variation of tourist arrivals in Goa, 1973-2007

Source: Government of Goa (1987, 2006, 2008); TECS (1976)

The worldwide recession of the early 1980s prompted by the oil crisis had a clear impact on Goa's tourism industry. In the early 1990s, the coincidence of the Gulf War with another period of economic recession in the major world economies led to a sharp decrease in arrivals in the countries near the Middle East and to an overall drop in world tourism as a whole. Impelled by these events, which coincided with an unstable socio-political situation in the country, a drastic fall of 25 percent was felt in international tourist arrivals to Goa in 1991, and a decrease in domestic tourists was also experienced.

As a result of the instability felt in the tourism industry following the September 11<sup>th</sup> terrorist attacks in 2001, Goa suffered a 33 percent drop in the number of charter flights in the 2001/2002 season (October to May). Major cancellations were felt, leaving empty many hotels on the coastal belt for much of the season, and even in the peak period of Christmas the number of tourists was much lower than the usual inflow (delegate of the Orient Foundation, personal communication, January 25, 2005). The 11 percent downturn



in international arrivals experienced in 2001 was offset by a 15 percent increase in domestic tourism, which started to be actively promoted by the State Government during this period in order to minimise the losses inflicted by massive cancellations from international tours operators.

The reasons for the decline of foreign tourist arrivals in Goa experienced in 2005 are not so clear. However, it is believed that the tsunami that occurred in the end of 2004, having a major impact in nearby destinations and also affecting some areas in India, had an influence on the choice of Goa as a tourism destination. Nevertheless, signs of a slowdown were already visible, being attributed to the lack of quality infrastructure and services for tourism, which reflects the pressure exerted by tour operators to cut down prices (delegate of the Orient Foundation, personal communication, January 25, 2005). Tourism destinations, such as Thailand, Maldives, Seychelles or the neighbouring State of Kerala, offering similar attractions and higher quality at equal or even lower prices, are stiff competitors and might have helped to divert tourists from Goa (economic counsellor of the Portuguese Embassy in New Delhi, personal communication, February 28, 2007).

Conversely, major peaks were experienced in the mid 1980s and early 1990s, as a result of the take-off of charter flights and the depreciation of the rupee as part of the structural reform package in 1991, which made Goa a relatively cheap destination. In early 2000s, the average annual growth rate of tourist arrivals had also experienced an upward trend, especially noticeable in the curve of domestic tourism. After the decline in 2005, tourist arrivals picked up again, although experiencing a slower growth pace in 2007.

There are no statistical data available for 2008 yet, but there are signs of another decline in foreign arrivals. The tourism industry in Goa has been severely affected by the Mumbai bombing attacks in November 2008 and, to a lower extent, by the rising tension between India and Pakistan. But even before the November 26<sup>th</sup> terrorist attacks, which occurred right before the peak tourist season, a fall in bookings has already been experienced, partly due to the world economic crisis and also to the massive exposure in the Press of the recent deaths and rapes of foreign tourists in Goa, leading to a negative image of the State, which was sometimes connoted as an unsafe destination (Nair, 2008b). Visa problems faced by



British tourists due to the outsourcing of visa issuance system and a levy of 60 pound surcharge by the tour operators also contributed to the decline of foreign arrivals (Kamat, 2008). On average, hotels bookings have declined up to 40 percent (Angre, 2008) and the number of flights has dropped to 25 per day as against 42 in the previous year (Kamat, 2008). In the season 2006-07, there were a total of 720 charter flights that arrived in Goa between October and May; while in 2008, until December, which is the peak season, only 194 charter flights have landed (Angre, 2008). This might have been partially caused by the discontinuation of its operations by a charter airline operating from Russia, which is a big market for Goa (Nair, 2008a).

In 1967, out of the total of 60,665 tourists arriving in Goa, 93.3 percent were domestic and 6.7 percent were foreign, coming mainly from the United States, United Kingdom, Germany and Switzerland, which represented 65 percent of all international arrivals (Government of India, 1973). Domestic tourists came from Maharashtra (60-67 percent), Mysore (11-13 percent) and Tamil Nadu (4-5 percent) (Government of India, 1973). Forty years later, the share of international arrivals more than doubled, but foreign tourists still are, numerically, a minor part of the total traffic in the State (Figure 6.7). Nonetheless, they are, for political and economic reasons, the primary market targeted by policy-makers. The majority of Indian tourists are originated from the neighbouring states of Maharashtra and Karnataka, who visit Goa on holidays, for religious or business purposes.

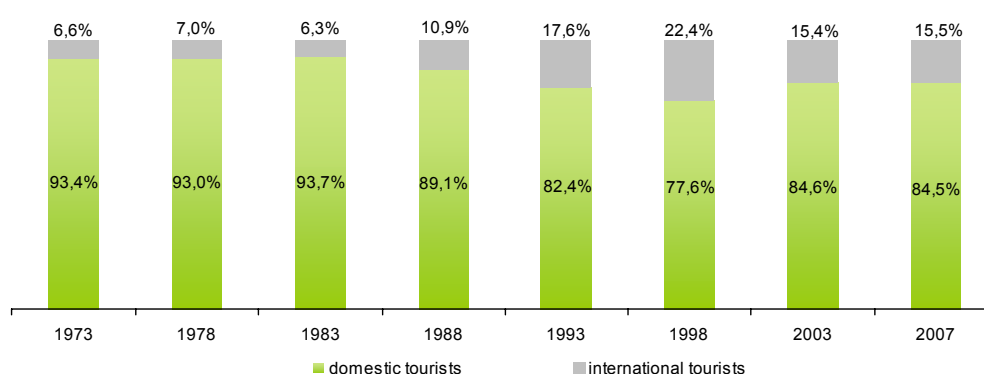
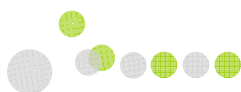


Figure 6.7 – Composition of tourist arrivals in Goa, 1973-2007

Source: Government of Goa (1987, 2006, 2008); TECS (1976)



The share of foreign tourists of the total tourists visiting Goa has considerably increased since the mid-1980s due to the increase of charter flights. However, since 2001, Indian tourists are again assuming an increasing role, as a result of the changes in the global tourism context and the State policy of promoting Goa within the country. Domestic tourism was also boosted by the modernisation of the South-Central Railway and the opening of the coastal Konkan Railway, which links Goa with important urban centres, such as Mumbai and Mangalore. This has considerably increased the accessibility to Goa from the rest of India, making likely to emerge a form of weekend tourism. In addition, the rapid development of low cost flights in India has been facilitating domestic travel tremendously. The introduction of the budget flight model by Air Deccan in 2003 has changed completely the Indian aviation scenario. With the increasing number of train commuters that turned to air travel because of the reduced fare, all leading domestic airlines decreased their rates to take advantage of this. There are seven low cost airline carriers in India, linking Goa with major hubs (such as Mumbai, New Delhi, Kolkata and Bangalore).

Table 6.1 – Top ten origin countries of foreign visitors to Goa, 1994-2006

rank	1994		1997		2000		2003		2006	
1	UK	59.1	UK	47.5	UK	32.4	UK	40.0	UK	42.2
2	Germany	11.9	Germany	9.6	Germany	9.9	Finland	11.7	Russia	8.4
3	Sweden	4.6	Finland	3.9	Finland	3.9	Germany	6.9	Finland	6.6
4	Switzerland	2.9	Switzerland	3.6	France	3.9	Russia	4.1	Germany	6.1
5	Italy	2.7	France	3.4	Switzerland	3.7	Sweden	2.9	France	3.8
6	Finland	2.7	USA	3.0	USA	3.5	France	2.1	Switzerland	3.3
7	Austria	2.4	Italy	1.7	Italy	3.5	Switzerland	2.1	Sweden	2.7
8	France	1.5	Sweden	1.3	Sweden	2.2	Portugal	1.7	USA	2.2
9	USA	1.2	Australia	1.3	Portugal	1.8	USA	1.3	Australia	2.0
10	Canada	0.9	Canada	1.1	Australia	1.6	Italy	1.1	S. Africa	1.4
		89.9%		76.4%		66.4%		73.9%		78.7%

Source: Government of Goa (1987, 2006, 2008); TECS (1976)

In terms of foreign arrivals, records show that, since early stages of tourism development, the United Kingdom ranked first and Germany occupied the second position (TECS, 1976). In 1994, the United Kingdom accounted for 59.1 percent of the total international arrivals



in Goa; the two main countries of origin of foreign tourists accounting for more than 70 percent (Table 6.1). Nonetheless their weight has been declining over the years; in 2006 the United Kingdom and Germany represented only 48.3 percent of the total international arrivals. United Kingdom presented a sluggish average annual growth rate of 2 percent and Germany experienced a decline of 0.8 percent.

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The initial high share of tourists coming from the United Kingdom and Germany can be explained by the fact that they were the first countries to introduce direct charter flights to Goa, thus benefiting from cheap package tours. As soon as more charter flights coming from other countries began to flock to the territory, the share of these two markets started to decline. This suggests a market diversification of international tourists, a fact that can be evidenced by the downward trend of the share of the top ten origin countries of foreign visitors to Goa. However, since the early 2000s, this share started to increase again, mainly caused by the rapid inflow of tourists from some countries, as a result of the introduction or reinforcement of charter flights.

The most noticeable case is that of Russia, which in a short period of time has strengthened its position. This country is indeed a paradigmatic example, since it only contributed to 0.1 percent of the total foreign arrivals in 1997, and within just a few years it was already ranking second (showing an annual average growth rate of 62.7 percent between 1997 and 2006). Between 1994 and 2006, France, Australia, Finland and USA have increased at an average rate of 13.5, 13.2, 13.0 and 10.4 percent per annum, respectively. Other countries with a good growth performance include South Africa and Portugal, which are also making positive advances, showing an annual average growth rate of 29 percent and 10 percent, respectively (between 1997 and 2006). Given that Portugal does not have charter flights to Goa, the number of Portuguese tourists there can be explained by the close cultural ties.

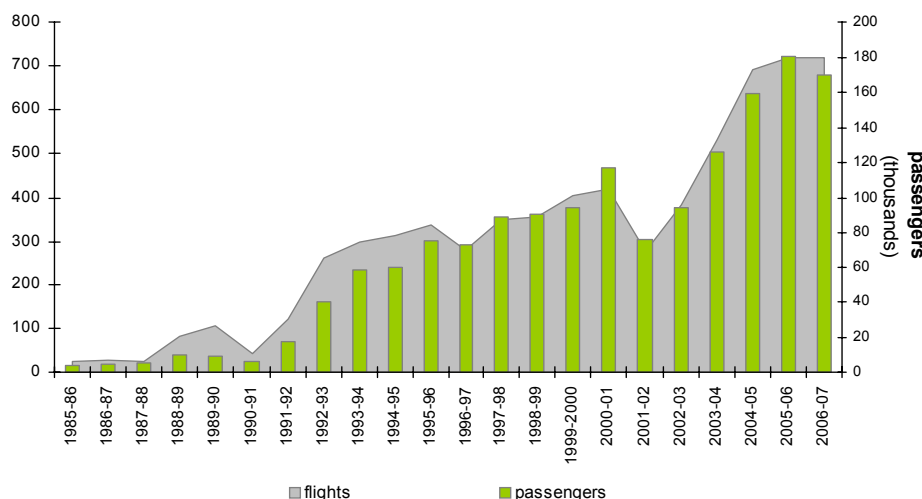
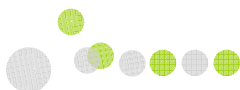


Figure 6.8 – Arrival of charter flights and passengers to Goa, 1985-2007

Source: Government of Goa (2006)

During the October-May season of 2006-07, Goa received 720 charter flights which brought in 169,836 visitors (Figure 6.8), representing over 40 percent of the total of foreign tourists. These figures reflect a 0.1 percent increase on the number of flights over the previous tourist season, but a decrease of nearly 6 percent on the number of passengers transported. Regular charter flights are operated mostly from the United Kingdom, Germany and Russia, but also from the Scandinavian countries and Switzerland. Charters operated in a non-regular basis come from Benelux countries, Iran (started in 2006), Turkey, the Baltic countries (started in 2007), Poland, Hungary and Czech Republic (president of TTAG and chairman of the tourism committee of GCCI, personal communication, April 7, 2007).

Over 50 percent of these flights usually arrive between November and January. For that reason, international tourists visiting Goa show a more marked seasonal pattern than domestic tourists. They clearly evidence a preference for the months between October and March. In 2004, tourists arriving during this period corresponded to more than 80 percent of the total foreign arrivals to the territory; of these, more than a half concentrated in the months of November, December and January. In 1973, it was visible a less accentuated concentration of visitors; the same six-month period represented less than 70 percent of international arrivals (Figure 6.9).

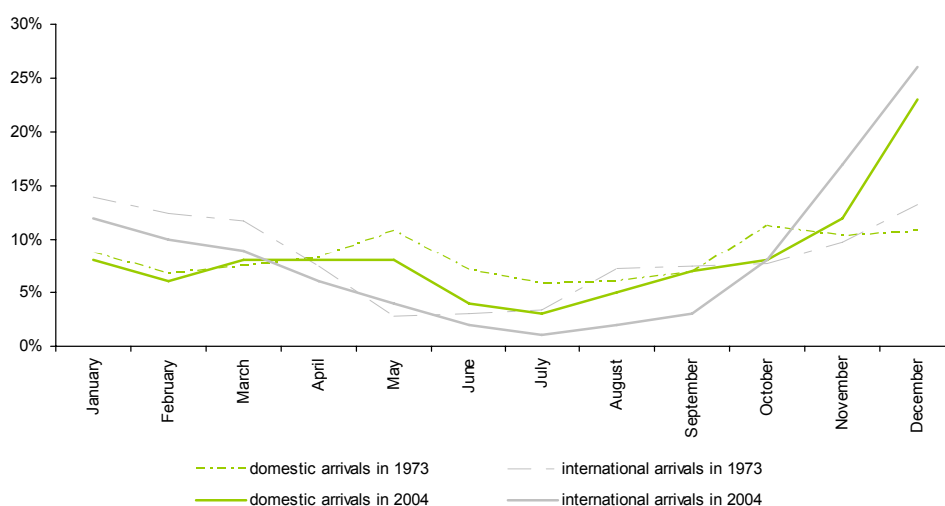


Figure 6.9 – Seasonal distribution of tourist in Goa, 1973 and 2004

Source: Government of Goa (2006); TECS (1976)

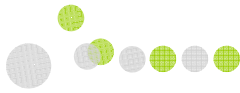
Tourism flows during the rainy season, from June to September, are composed mainly of domestic tourists, who show a more even distribution throughout the year, although some peaks can be observed during the April-May holidays, *Diwali* and Christmas seasons. As a result of the low tourist traffic during the monsoon, most tourist establishments work for only six months a year (from October to April) and lay off their workers for the remaining period.

Table 6.2 – Geographical distribution of tourists in Goa, 1973-2006

taluka	1973	1986		2006	
		domestic	foreign	domestic	foreign
Tiswadi	65.6%	42.2%	22.5%	28.1%	21.3%
Salcete	22.1%	20.3%	22.4%	26.6%	33.1%
Bardez	6.9%	20.2%	37.4%	26.3%	35.6%
Mormugao	5.3%	10.5%	12.2%	11.1%	5.4%
others	0.1%	6.8%	5.5%	7.9%	4.6%

Source: Government of Goa (1987, 2007); TECS (1976)

Besides showing an uneven seasonal distribution, tourist flows into the territory evidence a strong geographical concentration in a few selected *talukas* (Table 6.2). Tiswadi, Salcete, Bardez and Mormugao attract a considerable number of visitors, both domestic and foreign, due to the concentration of a substantial number of tourist facilities in the beaches as well



as in the urban centres, and also because they have a closer relationship with other parts of India and the outside world (Government of Goa, 1987).

The concentration of tourists in Tiswadi has reduced over the years due to the establishment of new accommodation facilities in other parts of the territory (especially along the coastal belt). The decline of Tiswadi as the main tourist destination in Goa was accompanied by an increase in the number of tourists preferring to stay in Bardez and Salcete. This is easily explained by the fact that these two *talukas* assemble many tourist facilities and well-known beaches, as it is the case of Calangute and Colva, respectively. It is interesting to note that while Salcete experienced an increase in both domestic and foreign tourists, Bardez is only increasing its share in terms of domestic tourists. This decrease of foreign tourists over the years might indicate a change in their preference (large scale hotels and resorts over smaller accommodation establishments) or be a sign that a different type of tourists has been sought.

Analogously, other *talukas* are experiencing significant increases among domestic tourists, as is the case of Ponda (it has the highest concentration of Hindu temples in the territory), Bicholim (it contains Mayem Lake, whose scheme of development was initiated and completed in 1972, being one of the first tourist centres to be promoted outside the coastal belt by the State Government) and Pernem (where Arambol Beach is located; it has become popular among Indian tourists after its introduction in the conducted tours organised by the GTDC). Arambol is also being increasingly frequented by foreign tourists, especially by backpack travellers who are progressively moving up north from Anjuna. Palolem, in Canacona, is a very popular destination among this category of visitors as well, attracting every year an increasing number of young independent travellers. Overall, and *taluka*-wise, the geographical distribution of tourists in Goa does not differ significantly between domestic and foreign tourists. However, domestic tourists tend to concentrate in towns whilst the international tourists opt for the coastal areas (Government of Goa, 1987).

### 6.3.2.2 Considerations on tourism growth and development

Tourism development among policy-makers and government officials tend to focus their discourse on the economic benefits that this sector generates, even though not knowing its





exact contribution to the economy (Sen, 1998, 1999). Nonetheless, it is inarguable that tourism in Goa has been making substantial contribution to the local economic development and employment generation. However, it has also proved to be responsible for a series of nuisances (Table 6.3), being the impacts of tourism in Goa extensively discussed in the literature (Alvares, 2002; D'Sa, 1999; Dantas, 1999; Davidson & Taylor, 1996; Desai, 2004; EQUATIONS, 2002; Gill, 2006; Kazi & Siqueira, 2001; McCabe & Stocks, 1998; Menon, 1993; Newman, 2001; Noronha, 1999; Noronha et al., 2003; Noronha, Siqueira, Sreekesh, Qureshy, & Kazi, 2002; Routledge, 2001; Sawkar, Noronha, Mascarenhas, Chauhan, & Saeed, 1998; Sen, 1998, 1999; Wilson, 1997)

A considerable portion of the population is economically dependent on tourism and tourism-related activities (TERI, 2000). However, seasonality affects the income and employment of workers, especially the unskilled personnel and those working in small scale establishments, who are often laid off during the off season (Zebregs, 1991). These are mainly constituted of migrants coming from other parts of the country, who also tend to own craft-related stalls, sell goods and services on the beach or work in menial positions. They come from Rajasthan, Gujarat, Kashmir, Tibet and the neighbouring state of Karnataka (the semi-nomadic Lamani tribe), and usually return to their homes in the end of the tourist season. Goa thus faces two types of population inflows, both of them seasonal: that from the tourists and the other from the large number of migrant workers.

Goa's economy relies heavily on tourism (former president of TTAG and chairman of the Alfran Group, personal communication, February 8, 2006), which is very vulnerable to shifts in charter flights (manager of travel and events of GTDC, personal communication, April 7, 2007) and has to import a substantial part of the inputs of the tourism sector, due to its small economic base (delegate of the Orient Foundation, personal communication, January 25, 2005). This means that an important part of the income that is generated by the tourist sector does not accrue to Goa but to other States of India or to foreign countries. All foreign exchange earnings generated by the tourism sector in Goa have to be transferred to the national government, while imports have to be paid for by the State Government (Zebregs, 1991).

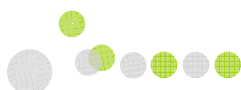


Table 6.3 – Impacts of tourism in Goa

Benefits	Costs
<b>economic</b>	
<ul style="list-style-type: none"> <li>foreign exchange earnings</li> <li>funds raised from taxes and fees</li> <li>diversification of local employment and income</li> <li>attraction of investment for local infrastructure/services</li> <li>employment opportunities in tourism-support industries</li> <li>development of export markets for local products</li> <li>image of a world famous destination</li> <li>improvement of standards of living</li> </ul>	<ul style="list-style-type: none"> <li>increased local cost of living and land costs</li> <li>seasonality of income and employment</li> <li>unstable market</li> <li>cost of enforcement/administration</li> <li>cost of training of human resources</li> <li>liability of service providers</li> </ul>
<b>political/institutional</b>	
<ul style="list-style-type: none"> <li>maintenance of population within political boundaries</li> <li>maintenance of future development options</li> <li>environmentally active civil society</li> </ul>	<ul style="list-style-type: none"> <li>exposure to undesirable social problems (child labour, paedophilia, prostitution, crime, corruption, drug addiction)</li> <li>large number of stakeholders, many of them from outside Goa</li> <li>all lands privately or publicly owned used for tourism</li> <li>absence of, or delays in conflict resolution through courts or traditional community organisations</li> </ul>
<b>socio-cultural</b>	
<ul style="list-style-type: none"> <li>exposure to new information and lifestyles</li> <li>opportunity for cross-cultural intermingling</li> <li>maintenance of traditional knowledge/products</li> <li>preservation and projection of the awareness of culture, history and heritage</li> <li>conflict resolution by <i>panchayats</i> or <i>comunidades</i></li> </ul>	<ul style="list-style-type: none"> <li>disruption of culture</li> <li>enhanced local expectations due to seasonal exposure to affluent visitors</li> <li>labour influx</li> <li>conflicts over local beach and water resources, and transportation</li> <li>reduction of traditional activities, such as agriculture, aquaculture, slat pan and shellfishery</li> </ul>
<b>environmental</b>	
<ul style="list-style-type: none"> <li>incentives/funds for resource management</li> <li>research</li> <li>improved environmental education</li> </ul>	<ul style="list-style-type: none"> <li>beach degradation due to improper waste management</li> <li>groundwater depletion due to increased local demands</li> <li>stress on coastal aquifers: groundwater scarcity and pollution due to overexploitation for tourism industry and improper waste management</li> <li>beach and coastal erosion due to overexploitation and unsuitable infrastructure development</li> <li>congestion and bottlenecks due to haphazard construction growth</li> <li>construction on fragile land</li> <li>land use and cover changes</li> <li>littering</li> <li>degradation of coastal vegetation</li> </ul>

Source: adapted from Sawkar et al. (1998)

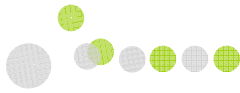


Consistent data regarding the amount spent by tourists visiting Goa is not available. However, in a study conducted in 1976 (TECS, 1976), it was concluded that although the high-income foreign tourists displayed a large propensity to spend, the low- and medium-income domestic tourists accounted for the biggest share in the total tourist expenditure. Overall, these last categories of tourists require simpler installations and infrastructure, does not posing greater strain on resources. This reality seems to apply to backpacker travellers as well, who extensively use street stalls, beach shacks and rooms rented by local families in their homes, so as to increase the authenticity and adventuresome nature of the travel experience. This allows local people to remain in control of the tourist trade and socio-economic structures are not drastically altered.

It is further recognised that the contribution to Goa's economy by tourists coming by charter flights is meagre, since they come on package deals and hardly spend money outside the hotel during their stay. Moreover, much of this money leaks away to international corporations and chains operated by Indians from other parts of the country, since Goans have not gone into the hotel business in a serious way. Yet, tourism officials decided to actively promote this type of tourism and are giving a growing emphasis on luxury tourism development, which generates higher returns per capita, but poses more strain on resources and can produce socio-economic disruption. This change on market focus is thus bringing new environmental and social problems; however the Government keeps encouraging it.

Concerned with the impacts of tourism, a number of Goan groups and agencies emerged in the 1980s. The most important tourism protest group in Goa is *Jagrut Goenkaranchi Fauz* (JGF), which is the Konkani designation for Goa's Vigilant Army. It struggles for a stronger local input into tourism planning to ensure that tourism does not undermine access of local residents to essential services and infrastructures. Other groups in Goa that oppose mass tourism include the Goa Foundation, Citizens Concerned about Tourism (CCAT), *Bailancho Saad* and *Saligao Nagrik Samiti*.

Routledge (2001) and Saldanha (2002a) argue that the critique of tourism development in Goa is connected to Goan patriotism and to the post-colonial politics of identity. They



share the view that the anti-tourism movement is linked with the identity formation in Goa and that these groups do not represent an all-Goa anti-tourism movement, rather they comprise relatively autonomous active minorities engaged in a multiplicity of campaigns and using different strategies to resist distinct facets of tourism development. Nonetheless, regardless the faction of the society that they represent, they have managed to be successful in changing the direction that tourism was taking, thus forcing the State and business interests to recognise their needs and concerns.

According to the manager of travel and events of GTDC, one of the main problems generated by tourism is the changes in coastal and rural life because of the abandon of traditional activities and the shift into other economic activities, and the migratory influx from other states of India (manager of travel and events of GTDC, personal communication, 10 February, 2005). Partly because Goa receives more visitors than its total population, many aspects of traditional Goan life are fast disappearing and serious negative social impacts are emerging, related with the widespread of drugs and alcohol (deputy director of GTD, personal communication, 10 February, 2006; (former president of TTAG and chairman of the Alfran Group, personal communication, February 8, 2006).

There is also the case of sex crimes committed against children in Goa, which gained increasing awareness since the conviction of Freddy Peat in 1996. Children's Rights in Goa (CRG), a local NGO, is actively working at building a coordinated community response to prevent the institutionalisation of tourism related paedophilia and child prostitution (see Davidson & Taylor, 1996 and Desai, 2004). In order to achieve this, it has launched several campaigns targeting different groups involved in the tourism industry. However, some contend that these campaigns can have a reverse result, since the exposure of the situation can promote Goa as paradise for paedophiles and will encourage more child molesters to visit the territory.

Local people are also concerned about the increasing flow of beggars from other parts of India and about Indian tourists who come in search of women for casual relationships, lured by the wrong image of women in Goa. "Hordes of domestic tourists still come to Goa in search of women whom they have been led to believe are easily and freely available."

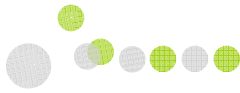


(Alvares, 2002, p. 197). This has led to increased sexual harassment, sexual violence and prostitution.

In the effort to boost tourism, the Government is trying to remove the “irritants” to the tourists. Such “irritants” specially come from beggars, touts, unrecognised guides and taxi/auto-rickshaw operators. As a result, a special tourist force was created to protect tourists (deputy director of GTD, personal communication, 10 February, 2006). It is claimed that the only contact that most of the tourists have with locals are with these people, so if they exploit or annoy them it will generate ill-will instead of understanding. This situation could also led to a generalisation on the basis of a bad experience, the visitor jumping to the conclusion that the people of the region are rude, inhospitable and dishonest, being this impression relayed to prospective visitors (Angle, 2001).

A study investigating the role of tourism-induced and other population movements in causing coastal ecosystem changes in Goa unveiled substantial transformations between 1966 and 1999 (Noronha et al., 2002). McCabe and Stocks (1998) also reported considerable changes in the scale and type of development in different resort areas only in a three year period. The transformation of Goa’s coastal areas, as a result of the construction boom, led sometimes to a complete disregard for regulations, causing environmental damages in fragile areas (especially in sand dunes and mangroves), congestion, bottlenecks and disruptions in the local communities (former president of TTAG and chairman of the Alfran Group, personal communication, February 8, 2006). Nonetheless, these impacts are not generalised to the whole coastal belt given that there are many different tourist areas at different stages of development catering for different market segments.

According to Seifert-Granzin and Jesupatham (1999), tourism-oriented infrastructure development tended to increase the “haves” and “have nots”. The shacks, owners of smaller restaurants and accommodation facilities originally started with tourism services at Goa, but now the organised tourism industry disengages them from the sites. The land acquisition act is used to appropriate land from the poor and marginalised farmers in the name of “dubious ‘public interest’” (Alvares, 2002). However, evictions to facilitate the



construction of hotels and other government acts that appeared to favour hoteliers over local people have led to numerous and well-publicised anti-tourism demonstrations (Sen, 1998, 1999). These have generated enough pressure to reverse, halt or modify earlier government schemes.

Constant local government changes and lack of a clear focus on how this activity should be implemented has resulted in *ad hoc* tourism development, responding to national and international forces. The expansion of charter tourism and luxury tourism in the 1980s has increasingly involved transnational corporations in the tourism sector in Goa, especially tour operators. Interestingly, instead of procuring sustainable forms of development in order to minimise the negative impacts caused by tourism in the territory and to bring in the local population into the planning process, one of the main concerns of the Government of Goa regarding this issue has been the combat to the negative publicity. “Government would actively contain such negative fall out through proactive publicity with the co-operation and assistance of the media, general public, travel trade and Indian missions abroad” (Government of Goa, 2001, p. 10).

The focus of the Government of Goa has been much on promotion and investment, rather than on planning. Yet, Goa needs a planned, controlled and well co-ordinated tourism policy. Government officials should realise that tourists are attracted to Goa mainly due to its natural beauty, and if no actions are taken to preserve the natural environment, the tourism industry may withdraw from the State and adversely affect the economy. By failing to give attention to local population concerns and needs, the State Government might prompt an increased frustration and adversarial behaviour, which can result in a lower threshold of social acceptance of tourism.

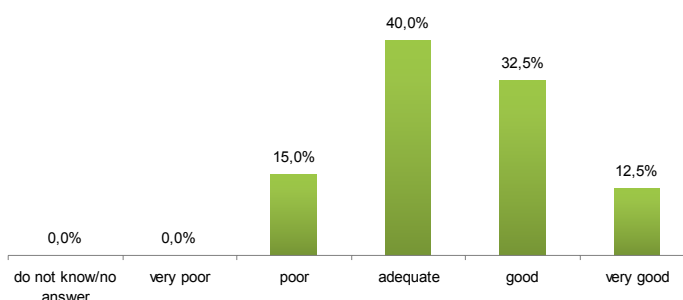


Figure 6.10 – Performance of the Government of Goa regarding tourism

Note: valid=40; missing=0

Source: own construction

Regardless some discontent from the local population, especially from NGOs, hoteliers of mid range and upscale tourist accommodation establishments had expressed a positive opinion on the performance of the Government of Goa regarding tourism policies and actions. Forty-five percent stated that its performance has been good or very good, and 40 percent believe it has been adequate (Figure 6.10). Only 15 percent consider the government's performance as being poor. This evidences the general tendency to give socially pleasing answers because this matter was often informally discussed, in an indirect way, at the end of the interview, and sometimes it was clear that the stated answer did not match their genuine opinion.

This is somehow reflected in what hoteliers consider to be the major constraints to Goa's tourism development. Despite not being considered the top main constraint, overall, public policies are considered to be a big limitation on Goa's tourism development (62.2 percent) (Figure 6.11). Also related with the public sector, and despite being a sensitive issue, bureaucracy and corruption were pointed out by 37.8 percent and 29.7 percent of respondents, respectively. Indeed, these are endemic problems very entrenched in the society, but are not exclusive from Goa or India; they are widespread in other Asian cultures as well (ADB, 1999; Kidd & Richter, 2003).

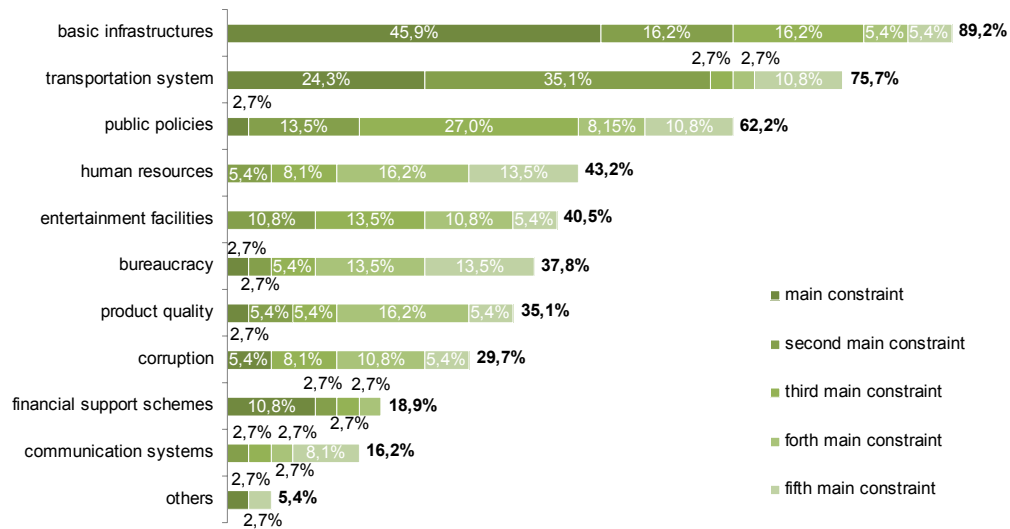
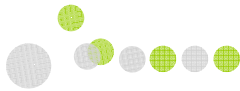


Figure 6.11 – Constraints to tourism growth in Goa

Note: valid=37; missing=3

Source: own construction

Poor basic infrastructures and an inadequate transportation system are by far the major problems faced by the tourism industry in Goa (89.2 percent and 75.7 percent, respectively). Representatives of trade associations and public bodies share the same opinion. According to the president of TTAG, the main problems that Goa faces relate to infrastructures, over-congestion in some areas (especially Calangute and Baga), a constrained airport, an inefficient garbage management system and an inefficient law enforcement (president of TTAG and chairman of the tourism committee of GCCI, personal communication, April 7, 2007). He also mentioned the lack of entertainment facilities to attract high-end tourists, an opinion that is also shared by 40.5 percent of hoteliers, who believe that Goa does not possess enough entertainment facilities to cater for different market segments.

The manager of travel and events of GTDC also stressed the poor infrastructure and the lack of professionalism (manager of travel and events of GTDC, personal communication, 10 February, 2005), a constraint also mentioned by hoteliers. Despite Goa having some tourism education and training facilities (such as the Hotel Management Institute and the Academy of Culinary Education), 43.2 percent of hoteliers pointed out the poor qualification of human resources.





According to former presidents of the TTAG, besides the suffocation of infrastructures, Goa faces environmental degradation and exacerbation of prices (travel agent and former president of TTAG, personal communication, February 17, 2007), lacks effective communication systems (an opinion that is shared by 16.2 percent of hoteliers), faces a shortage of hotel rooms and has problems related to the transportation system, namely the lack of direct connectivity with major tourist hubs and the scarcity of international scheduled flights (former president of TTAG and chairman of the Alfran Group, personal communication, February 8, 2006).

Indeed, there are limitations on the existing airport, which has very limited capacity, mainly handling domestic and charters flights. The Dabolim Airport is property of the Indian Navy, thus facing restrictions on its international operations and physical expansion. In 2007, apart from the regular flights to Dubai, there have been introduced more scheduled flights to Colombo, Moscow and Frankfurt (president of TTAG and chairman of the tourism committee of GCCI, personal communication, April 7, 2007). In order to solve the air connection problem, the Central Government already authorised the construction of a new international airport at Mopa, in north Goa. Dabolim will then serve as a supportive airport. Given the location of the new airport in the northern tip of Goa, access by water will be facilitated through the operation of hydrofoil services along the coast, easily linking to the coastal resorts (Government of Goa, 2008).

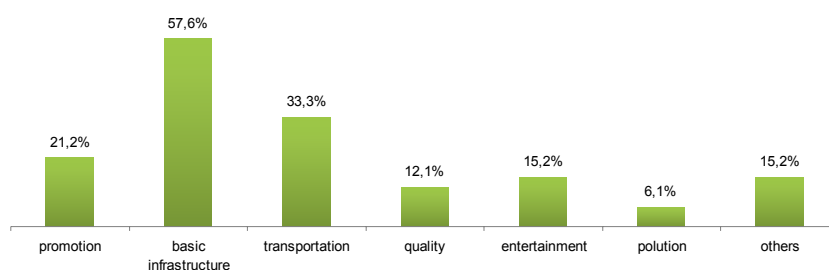
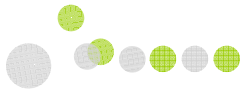


Figure 6.12 – Priorities of the Government of Goa to improve the tourism industry

Note: valid=33; missing=7

Source: own construction

Priority actions to be taken by the Government of Goa to improve tourism should embrace and solve the main constraints faced by the industry. Basic infrastructure and



transportation problems are the ones that should deserve more attention, with 57.6 percent and 33.3 percent of the opinions, respectively (Figure 6.12). Promotional efforts are regarded by hoteliers as the third main action to be taken by the Government (21.2 percent). Although promotion should not be a top priority, it is not surprising that hoteliers have mentioned it, given that their main objective is to make profit, thus the more tourists the better.

Interestingly, in the recent Goa Regional Plan, there is less emphasis on promotion, showing that the view of the Government is gradually changing. It even suggests that, since Goa is already a well established tourism destination, one year of the promotion budget should be used to clean up Goa's beaches and provide the needed infrastructure. "This will earn more goodwill for Goa – and attract more tourists – than any advertising budget would deliver." (Government of Goa, 2008, p. xxvii).

The provision of entertainment facilities (such as golf courses, water sports, etc.), the enhancement of product and service quality, the control of pollution and the preservation of the environment were also mentioned by hoteliers. Other actions include the preservation of Goan heritage/architecture, the provision of incentives, the advancement of tourism training and the implementation of rules to curb the exploitation of tourists. In fact, price discrimination is a striking feature in Goa, existing different categories according to the origin of people. Prices range from Goans (lower), non-resident Goans, Indians and foreigners (higher), and even for foreigners there are differences according to the nationality (chancellor of the Portuguese Consulate in Goa, personal communication, January 28, 2005). Awareness campaigns about the negative effects of tourism, including environmental education and cleaning efforts, the improvement of support infrastructures (sewage system, water supply and electricity) and of the transportation system were also pointed out by the representatives of trade associations and public bodies.

#### 6.4 Tourist accommodation in Goa

The previous sections have shown how tourism has developed over time, especially after 1961, when a programme of rapid expansion of accommodation facilities and related tourist services was initiated. The local government concentrated on the provision of



accommodation facilities for middle and low income groups of mainly domestic tourists, encouraging the private sector to develop infrastructures to cater to the high-income domestic and foreign visitors.

Table 6.4 – Tourist accommodation capacity in Goa, 1961-2007

year	hotels	rooms	beds
1961	25	231	453
1964	49	534	1,048
1974	107	1,407	2,761
1987	275	n.a.	11,065
2007	2,322	20,844	39,335

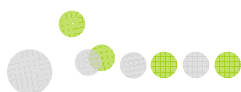
n.a. – not available

Source: Government of Goa (1987, 2006, 2008); TECS (1976)

Table 6.4 shows the evolution of tourist accommodation in terms of the number of establishments, and the respective room and bed capacities. In 1961 there were only 25 accommodation establishments, accounting for 453 beds, while 3 years later these numbers had already doubled. It has been registered a steady increase in the accommodation capacity between 1961 and 2007, showing an annual average growth rate of 10 percent. In 2007 a total of 2,322 hotel and paying guest houses had been recorded, encompassing more than 20 thousand rooms and nearly 40 thousand beds.

The expansion of tourist accommodation in Goa has been both quantitative and qualitative, offering a variety of accommodation ranging from luxury hotels to inexpensive dormitories for budget tourists. The Goa Registration of Tourist Trade Act enacted by the State Government in 1982 and the Goa Registration of Tourist Trade Rules framed in 1985 (see Government of Goa, 2000) constitute a special legislation that has been endorsed to regulate and control tourist activities. It sets the criteria for classification of accommodation according to its location, standard, structure, quality, facilities, service amenities and general conditions.

According to these criteria, four categories have been devised: A category (sophisticated accommodation), B category (medium class accommodation), C category (economy class accommodation) and D category (paying guest accommodation) (see Appendix 9 for the



detailed criteria for classification of accommodation in Goa). Classification of beds into these four categories indicates that category D dominates in terms of number of establishments (77.6 percent), representing less than 20 percent of both room and bed capacity (Table 6.5). In spite of categories A and B represent only 8 percent of the total number of hotels, they account for 44 percent of rooms and beds due the large scale of upper-class hotels.

Table 6.5 – Hotels and paying guest houses in Goa, 2007

categories	number of hotels		number of rooms		number of beds	
	number	%	number	%	number	%
A	43	1.9%	4,103	19.7%	7,138	18.1%
B	148	6.4%	5,091	24.4%	10,134	25.8%
C	330	14.2%	5,008	24.0%	9,102	23.1%
D	1,801	77.6%	6,642	31.9%	12,961	33.0%

Source: Government of Goa (2008)

Apart from this classification, the Department of Tourism of the Government of India has a voluntary scheme for classification of hotels, aiming to provide standardised and world class services (Government of India, n.d.). The Hotel and Restaurant Approval and Classification Committee (HRACC) inspects and assesses the hotels based on facilities and services offered, and attributes a classification that falls under the following categories: star hotels (5 star deluxe, 5 star, 4 star, 3 star, 2 star, 1 star) and heritage hotels (heritage grand, heritage classic, heritage). Hotels can be classified as heritage only if a minimum of 50 percent of the floor area was built before 1935 and no substantial change has been made in the facade (for the general conditions for classification of star-rated hotels see Appendix 10).

Of the total accommodation establishments available in Goa, only 3.6 percent are classified hotels (star and heritage), representing 30.4 percent of the total number of beds. Table 6.6 reveals that there are 81 star hotels (with 11,913 beds) and 2 heritage hotels (with 36 beds). Heritage hotels represent an insignificant fraction of the accommodation capacity in Goa, while luxury hotels account for high percentages, even if their share in the total number of



establishments is not the highest. Altogether, 1 star, 2 star and 3 star hotels represent 73.5 percent of the total number of classified hotels, but account only for 50.8 percent of beds.

Table 6.6 – Hotels by star and heritage categories, 2007

categories	hotels		rooms		beds	
	number	%	number	%	number	%
star hotels	81	97.6%	6,072	99.7%	11,913	99.7%
5 star deluxe	9	10.8%	1,627	26.7%	2,955	24.7%
5 star	6	7.2%	811	13.3%	1,646	13.8%
4 star	5	6.0%	545	8.9%	1,038	8.7%
3 star	18	21.7%	1,075	17.6%	2,209	18.5%
2 star	24	28.9%	1,271	20.9%	2,551	21.3%
1 star	19	22.9%	743	12.2%	1,314	11.0%
heritage hotels	2	2.4%	20	0.3%	36	0.3%
total	83	100%	6,092	100%	11,949	100%

Source: Government of Goa (2008)

## 6.5 Mid-range and upscale hotels

As described in chapter 5 (section 5.3.3.1.1), primary data has been collected in Goa. Forty mid-range and upscale star categorised hotels (5 star deluxe, 5 star, 4 star, 3 star and heritage hotels) were surveyed in order to learn more about the accommodation sector in Goa. The main results pertaining the characterisation of the hotels, its guests and the companies that own them are presented in this section.

### 6.5.1 Characterisation of hotels

#### 6.5.1.1 Category

Figure 6.13 shows that 40 percent of the surveyed accommodation establishments belongs to the 3 star category, thus being the most representative type. However, if we take into account the 5 star and 5 star deluxe categories altogether, they represent 45 percent of the total. The heritage category represents only 5 percent, which means that there are only two establishments of this category.

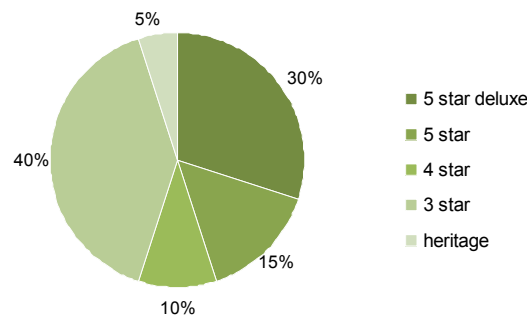
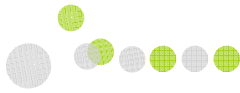


Figure 6.13 – Classification of hotels by category

Note: valid=40; missing=0

Source: own construction

Looking at the distribution of classified hotels by the categories set by the Department of Tourism of Goa (see figure 6.14), it is clear that all upscale hotels belong to the A category, while the lower categories are distributed by the A, B and C categories (the latter category being present only in 3 star and heritage hotels).

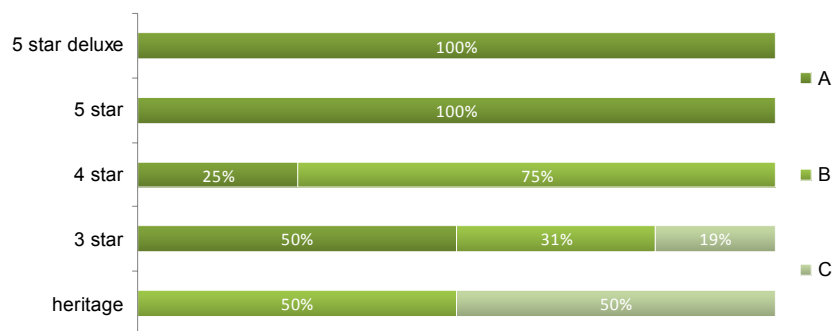


Figure 6.14 – Distribution of hotels by category

Note: valid=40; missing=0

Source: own construction

### 6.5.1.2 Period of opening

Figure 6.15 shows that 18.4 percent of the hotels were opened in the 1980s, surely as a result of the introduction of charter flights in the territory in 1985, which caused big demand for accommodation infrastructures. However, the majority of hotels (73.6 percent) opened to the public only in the 1990s and 2000s, following a large increase in both international and domestic arrivals.

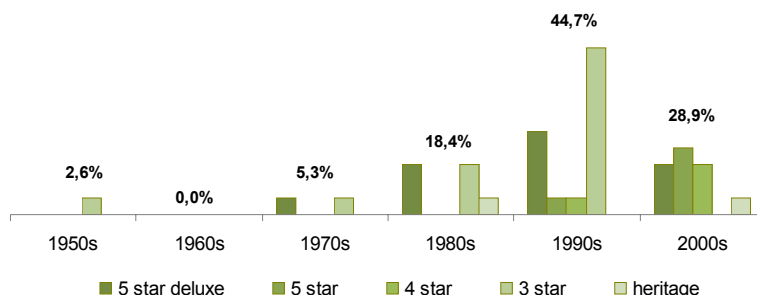


Figure 6.15 – Period of opening of hotels by category

Note: valid=39; missing=1

Source: own construction

The majority of 3 star hotels opened in the 1990s, possibly to cater for the demand originated by package tourists that came in with the increasing number of charter flights that arrived in Goa. Upscale hotels have gradually started to appear since the 1970s (the first high class hotel, part of the Taj Group, opened in 1975), but had its explosion in the 1990s. The only hotel that appeared in the 1950s was the aforementioned Hotel Mandovi in Panaji, which still holds a 3 star category.

### 6.5.1.3 Location

Tourist flows in Goa evidence a strong geographical concentration in a few selected *talukas*, which attract a considerable number of visitors, both domestic and foreign, due to the concentration of a substantial number of tourist facilities. Overall, and *taluka*-wise, the geographical distribution of the surveyed hotels in Goa does not differ significantly of the distribution of tourists in the territory, being built along the coastal belt.

Bardez and Salcete concentrate 77.5 percent of the mid-range and upscale tourism accommodation (Figure 6.16). It might be explained by the fact that these two *talukas* include Calangute and Colva, respectively, which were the first areas to be developed for tourism purposes. Tiswadi caters for 15 percent of this type of establishments, Mormugao encompasses 5 percent, while Canacona has only one five star deluxe hotel. It is worth mentioning that the remaining six *talukas*, mostly located in the interior, do not possess any high or medium quality categorised hotel.

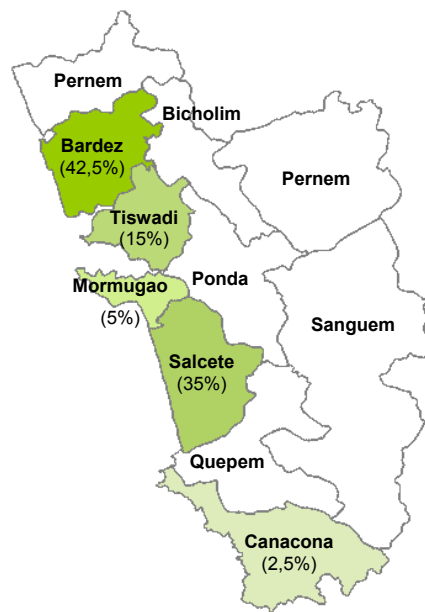
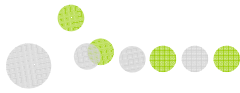


Figure 6.16 – Geographical distribution of hotels

Note: valid=40; missing=0

Source: own construction

Category-wise, 58.3 percent of 5 star deluxe hotels and 50 percent of 5 star hotels are located in Salcete; 75 percent of 4 star hotels and 62.5 percent of 3 star hotels are situated in Bardez; and heritage hotels are evenly distributed between Bardez and Tiswadi. *Taluka*-wise, in Bardez predominate 3 star hotels (58.8 percent) and in Salcete 5 star deluxe hotels (50 percent). In Mormugao there are one 5 star hotel and one 3 star hotel, whereas in Tiswadi, hotels are more consistently distributed, evidencing however the 5 star and the 3 star categories (33.3 percent each).

#### 6.5.1.4 Capacity

The average number of rooms is of 116. Table 6.7 shows that 5 star deluxe hotels presents the highest shares in the series showing bigger capacity (40 percent of the hotels with 100-149 rooms, 60 percent of the hotels with 150-199 rooms, 80 percent of the hotels with 200-249 rooms and 100 percent of the hotels with over 250 rooms). Heritage hotels have less than 50 rooms, and 68.8 percent of 3 star hotels have between 50 and 99 rooms. Capacity-wise, 60 percent of the total number of hotels has between 50 and 149 rooms.





Table 6.7 – Number of rooms by category of hotels

room capacity	% within	star category					total
		5 star deluxe	5 star	4 star	3 star	heritage	
under 50	'room capacity'	0,0%	0,0%	20,0%	40,0%	40,0%	100,0%
	'star category'	0,0%	0,0%	25,0%	12,5%	100,0%	12,5%
50-99	'room capacity'	0,0%	14,3%	7,1%	78,6%	0,0%	100,0%
	'star category'	0,0%	33,3%	25,0%	68,8%	0,0%	35,0%
100-149	'room capacity'	40,0%	20,0%	20,0%	20,0%	0,0%	100,0%
	'star category'	33,3%	33,3%	50,0%	12,5%	0,0%	25,0%
150-199	'room capacity'	60,0%	40,0%	0,0%	0,0%	0,0%	100,0%
	'star category'	25,0%	33,3%	0,0%	0,0%	0,0%	12,5%
200-249	'room capacity'	80,0%	0,0%	0,0%	20,0%	0,0%	100,0%
	'star category'	33,3%	0,0%	0,0%	6,3%	0,0%	12,5%
over 250	'room capacity'	100,0%	0,0%	0,0%	0,0%	0,0%	100,0%
	'star category'	8,3%	0,0%	0,0%	0,0%	0,0%	2,5%

Note: valid=40; missing=0

Source: own construction

The average number of beds is of 215. According to Table 6.8, and in line with results presented above, 5 star deluxe hotels present the highest shares in the series showing bigger capacity (75 percent of the hotels with 200-249 beds, 75 percent of the hotels with over 250-349 beds, 55.6 percent of the hotels with more than 350 beds). Indeed, 41.7 percent of 5 star luxury hotels have over 350 beds. Heritage hotels have less than 100 beds, and 56.3 percent of 3 star hotels have between 100 and 149 beds. Capacity-wise, the range 100 to 149 beds represents 30 percent of the total number of hotels, while over 350 beds accounts for 22.5 percent.

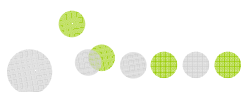


Table 6.8 – Number of beds by category of hotels

bed capacity	% within	star category					total
		5 star deluxe	5 star	4 star	3 star	heritage	
under 50	'room capacity'	0,0%	0,0%	0,0%	<b>50,0%</b>	<b>50,0%</b>	100,0%
	'star category'	0,0%	0,0%	0,0%	6,3%	<b>50,0%</b>	5,0%
50-99	'room capacity'	0,0%	0,0%	0,0%	0,0%	<b>100,0%</b>	100,0%
	'star category'	0,0%	0,0%	0,0%	0,0%	<b>50,0%</b>	2,5%
100-149	'room capacity'	0,0%	16,7%	8,3%	<b>75,0%</b>	0,0%	100,0%
	'star category'	0,0%	<b>33,3%</b>	<b>25,0%</b>	<b>56,3%</b>	0,0%	<b>30,0%</b>
150-199	'room capacity'	12,5%	25,0%	12,5%	<b>50,0%</b>	0,0%	100,0%
	'star category'	8,3%	<b>33,3%</b>	<b>25,0%</b>	25,0%	0,0%	20,0%
200-249	'room capacity'	<b>75,0%</b>	0,0%	25,0%	0,0%	0,0%	100,0%
	'star category'	25,0%	0,0%	<b>25,0%</b>	0,0%	0,0%	10,0%
250-349	'room capacity'	<b>75,0%</b>	0,0%	0,0%	25,0%	0,0%	100,0%
	'star category'	25,0%	0,0%	0,0%	6,3%	0,0%	10,0%
over 350	'room capacity'	<b>55,6%</b>	22,2%	11,1%	11,1%	0,0%	100,0%
	'star category'	<b>41,7%</b>	<b>33,3%</b>	<b>25,0%</b>	6,3%	0,0%	<b>22,5%</b>

Note: valid=40; missing=0

Source: own construction

*Taluka*-wise, it is interesting to note that although Bardez has more hotels, Salcete possesses higher accommodation capacity, accounting for 41 percent of the total of beds (Figure 6.17), while Bardez encompasses 37.2 percent. Canacona has just one hotel, but represents 4 percent of the total number of beds. This means that the *talukas* with higher average bed capacity per hotel are Canacona (350 beds) and Salcete (251 beds). Hotels in Tiswadi have an average capacity of 200 beds, whilst in Bardez it drops to 187 beds and in Mormugao it is even lower (161 beds). This evidences different patterns of tourism development, since large scale resorts tend to predominate in the south, whereas there are smaller accommodation establishments in the north.

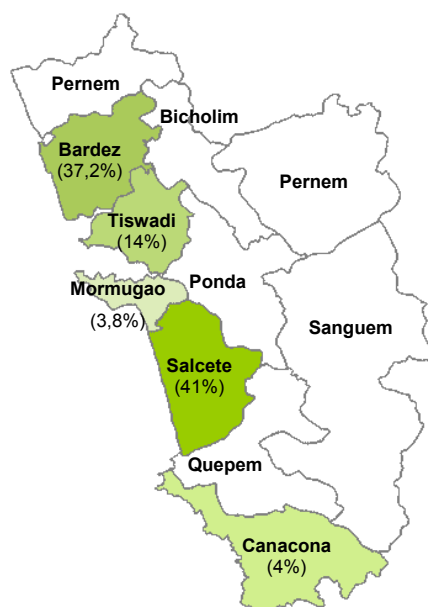


Figure 6.17 – Geographical distribution of hotel beds

Note: valid=40; missing=0

Source: own construction

### 6.5.1.5 Facilities

Belonging to mid-range and upscale categories, all hotel rooms are equipped with bathroom, and the majority of them have air conditioning (97.5 percent), television (95 percent) and telephone (85 percent). Regarding public areas within the hotels, more than 90 percent of them possess restaurant, bar, swimming pool, laundry service and parking facilities. Other facilities highly represented include conference halls, money changing services, business centres, health spa and gymnasium (Figure 6.18). Overall, more than 50 percent of hotels possess all the array of facilities, except golf courses and casinos, which exist only in 15 percent of the hotels. These casinos only offer automated gambling, such as slot machines. Live experience gambling is only permitted in offshore casinos<sup>3</sup>.

<sup>3</sup> Live gambling is outlawed in India; Goa is the only State where electronic gambling on land casinos and live offshore casinos are permitted. The government of Goa is now actively promoting offshore casinos by granting new licences to more companies in an attempt to generate more tourist-related revenue. Until September 2008 there was just one casino in the Mandovi River, now the number is already five.

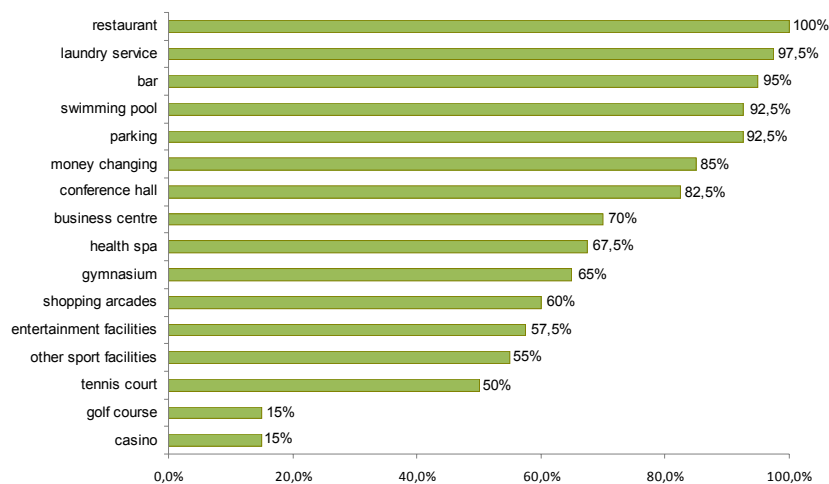
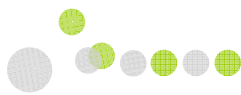


Figure 6.18 – Hotel facilities in public areas

Note: valid=40; missing=0

Source: own construction

### 6.5.1.6 Employees

A considerable portion of the population is economically dependent on tourism and tourism-related activities (TERI, 2000). Hotels generate a substantial number of jobs, both directly and indirectly. Given the seasonal nature of tourism activities, it affects employment of workers, especially the unskilled personnel and those working in small scale establishments, who are laid off during the off season (Zebregs, 1991). These are mainly constituted of migrants coming from other states that usually return to their homes in the end of the tourist season.

Table 6.9 – Number of employees

	tourist season		peak season		off season	
	full-time	part-time	full-time	part-time	full-time	part-time
5 star deluxe <sup>a)</sup>	332.4	94.0	332.4	100.0	314.2	76.0
5 star <sup>b)</sup>	209.0	40.3	209.0	40.3	204.0	28.7
4 star <sup>c)</sup>	116.0	6.7	116.0	6.7	88.3	11.7
3 star <sup>d)</sup>	129.0	1.3	133.5	2.1	121.9	0.0
heritage <sup>e)</sup>	9.0	0.0	9.0	0.0	9.0	0.0
total <sup>f)</sup>	200.7	26.7	202.3	28.1	189.0	21.0

<sup>a)</sup> valid=11  
missing=1

<sup>b)</sup> valid=6  
missing=0

<sup>c)</sup> valid=3  
missing=1

<sup>d)</sup> valid=12  
missing=4

<sup>e)</sup> valid=2  
missing=0

<sup>f)</sup> valid=34  
missing=6

Source: own construction



Table 6.9 shows the distribution of the number of employees by categorised hotels. During peak season and tourist season, the number of workers is generally higher than during off season. Also, not surprisingly, the higher the star category, the bigger the number of employees, both in part time and full time; 5 star deluxe hotels employ more than 300 full-time workers, while 3 star category hotels employ around 130. The number of part-time workers is also higher in upscale hotels. Given its specific characteristics, heritage hotels are low-key in scale.

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When asked about the percentage of employees with training in tourism, nearly half of the hoteliers did not know the answer or did not want to respond. 76.2 percent of those who answered showed that part-time workers do not possess any tourism training, and that full-time employees are better qualified; 22.6 percent of the hotels have 75 to 100 percent full-time trained staff. On average, the percentage of full-time employees with training in tourism is 47.2 percent against 15.5 percent of that of part-time workers.

#### 6.5.1.7 Turnover

Given its sensitive character, the question regarding the annual turnover was left blank by 22.5 percent of the surveyed hotels (Figure 6.19). 25 percent of respondents reported that their annual turnover fell under the category 1-4 *crores*, 12.5 percent stated that their annual turnover was between 5 and 9 *crores*, and 12.5 percent declared more than 35 *crores*.

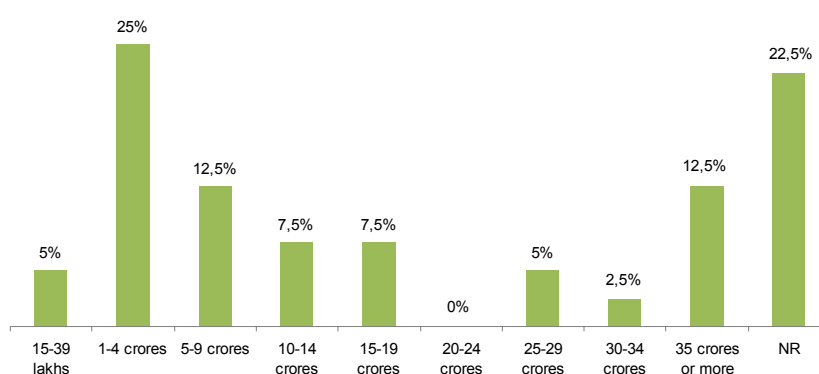
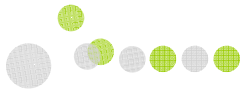


Figure 6.19 – Annual turnover

Note: *crore* and *lakh* represent ten million and one hundred thousand, respectively.

NR – non-response

Source: own construction



As expected, the higher the category, the bigger the turnover (these two variables show a strong positive relationship – Spearman's  $\rho=0.718$  –, significant at the 0.01 level). Taking into account the hotels that responded this question, it is noticeable that 90 percent of 3 star hotels have a turnover between 1 and 9 *crores*, while 50 percent of 5 star deluxe hotels accounts for 35 *crores* or more. Five-star hotels present a turnover evenly distributed, whereas 4 star hotels tend to concentrate on the category 1-4 *crores* (66.7 percent). Due to its small scale, the turnover of heritage hotels falls under the lower categories. Comparing the two most tourist areas (Bardez and Salcete), it is not surprising that Bardez, which has smaller scale establishments, possess lower levels of turnover.

## 6.5.2 Characterisation of guests

### 6.5.2.1 Type of tourists

The majority of the hotels (67 percent) reported that their guests mainly arrive on a package tour, which includes transport (generally via charter flight) and accommodation, advertised and sold together by a tour operator. Free independent travelers (FITs) are the main segment of tourists for only 33 percent of mid-range and upscale hotels in Goa. Package tourists predominate in every *taluka*, except in Mormugao, where the share of hotels mentioning that their main segment consists of package tourists, is the same as for those who mentioned independent travellers. In terms of category, all star rated hotels cater mainly for package tourists (with all 4 and 5 star hotel confirming it), while heritage hotels mainly attract independent travellers.

### 6.5.2.2 Origins

Overall, international tourists prevail over domestic tourists (56.1 percent against 43.9 percent). However, when taking into account the category of the hotel, it can be observed that the share of domestic tourists exceeds that of the foreign tourists in 5 star hotels. It is also evident that the difference of figures in 4 star and heritage hotels is very wide, with international guests far exceeding the domestic (Table 6.10). International visitors are, numerically, a minor part of the total traffic in Goa; nonetheless, they represent a big market for these types of hotels.



Table 6.10 – Origin of hotel guests

star category	domestic tourists	international tourists
5 star deluxe <sup>a)</sup>	47.7%	52.3%
5 star <sup>b)</sup>	52.5%	47.5%
4 star <sup>c)</sup>	30.0%	70.0%
3 star <sup>d)</sup>	45.4%	54.6%
heritage <sup>e)</sup>	12.5%	87.5%
total <sup>f)</sup>	43.9%	56.1%

a) valid=11  
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b) valid=6  
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c) valid=4  
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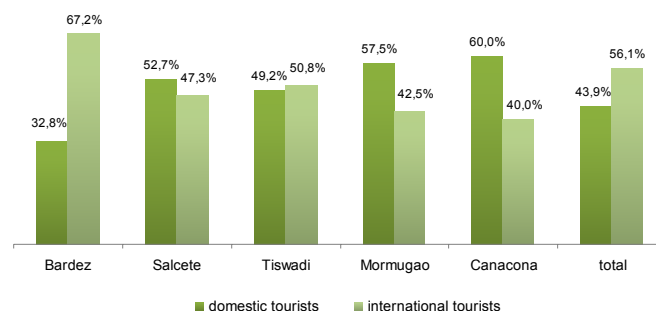
d) valid=16  
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e) valid=2  
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f) valid=39  
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Source: own construction

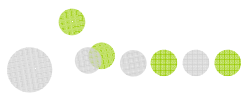
Geographically, there seems to be smaller discrepancies, however it is noticeable the predominance of international tourists over domestic tourists in Bardez (Figure 6.20). The share of foreign tourists of the total tourists visiting Goa has considerably increased since the mid-1980s due to the increase of charter flights, which contributed largely to the influx of tourists in this *taluka*. Conversely, in Salcete, Mormugao and Canacona, domestic tourists prevail over foreign guests.

Figure 6.20 – Origin of tourists by *taluka*

Note: valid=39; missing=1

Source: own construction

Important sources of domestic tourists are the neighbouring states, especially Maharashtra (in general visitors from Mumbai), which is the main market for 39.4 percent of these hotels (Figure 6.21). Although Karnataka is also a significant market, particularly important metropolis such as Bangalore, it essentially constitutes the third main market.



Visitors coming from other parts of India, especially from New Delhi, make up almost half of the main market (48.5 percent). It is worth mentioning that Goan non-residents are also an interesting source of visitors, constituting the fourth main market, while Goan residents have almost no expression, as it would be expected.

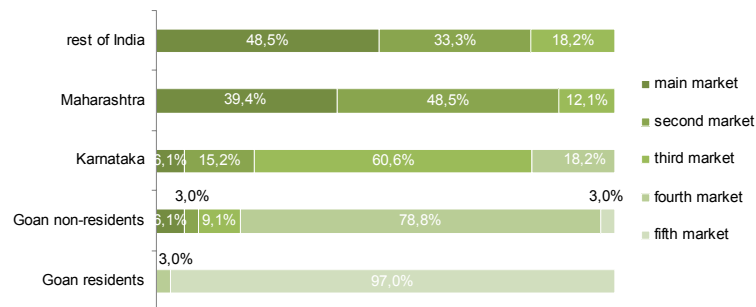


Figure 6.21 – Origin of domestic tourists

Source: own construction

Note: valid=33; missing=7

In terms of foreign arrivals, records show that, since early stages of tourism development, the United Kingdom ranked first and Germany occupied the second position (TECS, 1976). The importance of these markets relates with the fact that these were the first countries to introduce direct charter flights to Goa. As mentioned earlier (section 6.3.2.1), new markets have increased their importance in recent years, as a result of the introduction or reinforcement of charter flights, and the share of these two countries started to decline. The most noticeable cases are that of Russia and Finland, which in a short period of time have strengthened their positions.

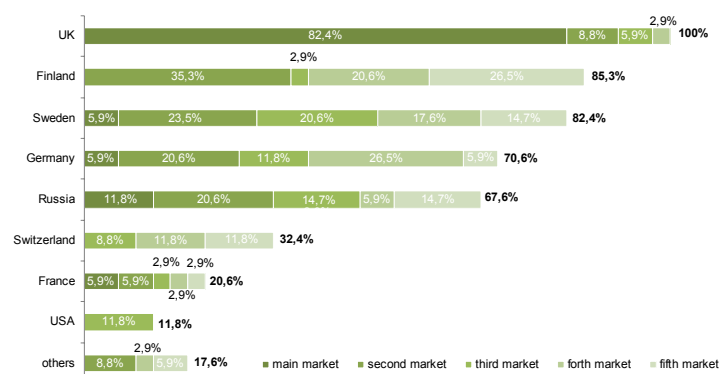


Figure 6.22 – Origin of international tourists

Note: valid=34; missing=6

Source: own construction





The same pattern of distribution of nationalities can be found in the guests of the surveyed hotels. United Kingdom constitutes undoubtedly the main market (Figure 6.22). Finland (85.3 percent), Sweden (82.4 percent) and Germany (70.6 percent) are also important sources of tourists to these categories of hotels. Russia is an important market as well, constituting the main source of tourists for 11.8 percent of the hotels. Switzerland, France and the United States are other relatively significant markets. The category ‘others’, which represent 17.6 percent, includes countries such as Denmark, Norway, Australia and Portugal. As for the Portuguese market, although some hotels have mentioned it as one of the five main sources of visitors, it is not very expressive, being considered significant just to 22.5 percent of the hotels (Figure 6.23).

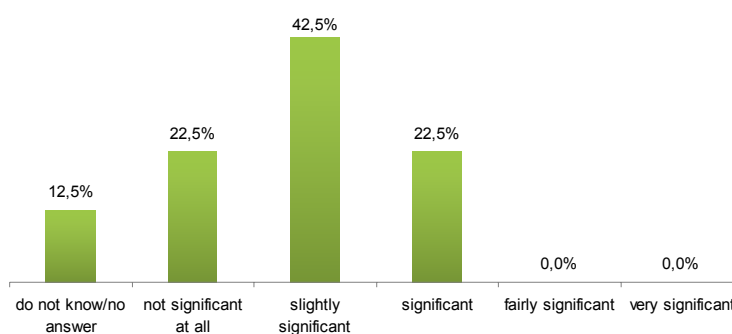


Figure 6.23 – Significance of the Portuguese market

Note: valid=40; missing=0

Source: own construction

Despite the fact that Portugal is not an expressive market for Goa, as well as for these accommodation establishments, hoteliers showed great interest and willingness to attract more Portuguese tourists. Ninety percent of the hoteliers is quite or very willing to do something to cater for this market (Figure 6.24). Some of them even mentioned that these could contribute to diversify the tourist product, given its potential demand for heritage and cultural tourism.

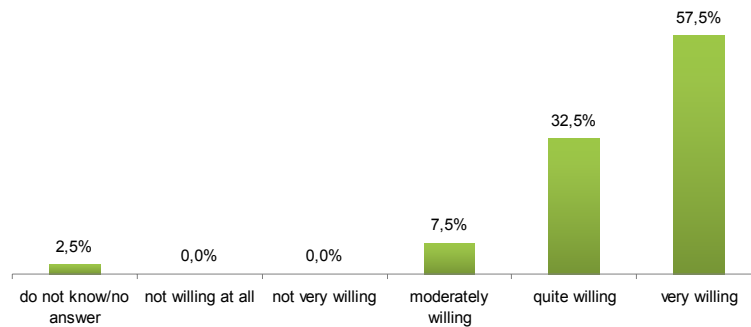
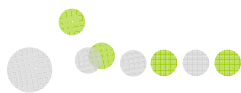


Figure 6.24 – Willingness to attract Portuguese tourists

Note: valid=40; missing=0

Source: own construction

Analysing the accommodation preference of international visitors by star category, it is noticeable the predilection for 3 star hotels by almost all nationalities (Figure 6.25). Only Switzerland, the United States and Germany tend to prefer higher quality accommodation establishments, mainly opting to stay in 5 star deluxe hotels (54.5 percent, 50 percent and 41.7 percent, respectively). Given that the majority of tourists come on a package tour, these preferences might relate to the assortment of accommodation categories available on the package deals offered by tour operators in those countries. The demand for 5 star and 4 star hotels is not very significant in any market. The same happens in heritage hotels; however, the percentage of French and North American tourists that choose to stay in this type of establishments is much higher than any of the other main markets (the ‘others’ category also revealed a higher preference for heritage hotels).

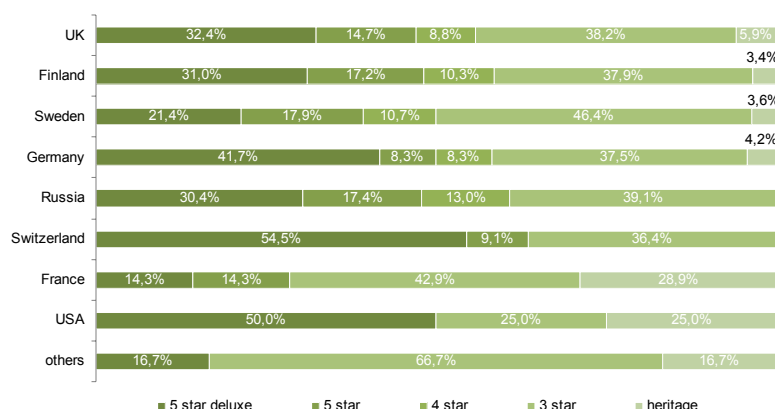


Figure 6.25 – International tourists by hotel category

Note: valid=34; missing=6

Source: own construction



Regarding the distribution of foreign guests by geographical area (Figure 6.26), it is evident the preference for Bardez by all nationalities, except for Swiss nationals, who tend to opt for Salcete (45.5 percent). They also show a higher preference for Canacona compared with other nationalities. Tiswadi is considerably important for France and for other non-specified nationalities.

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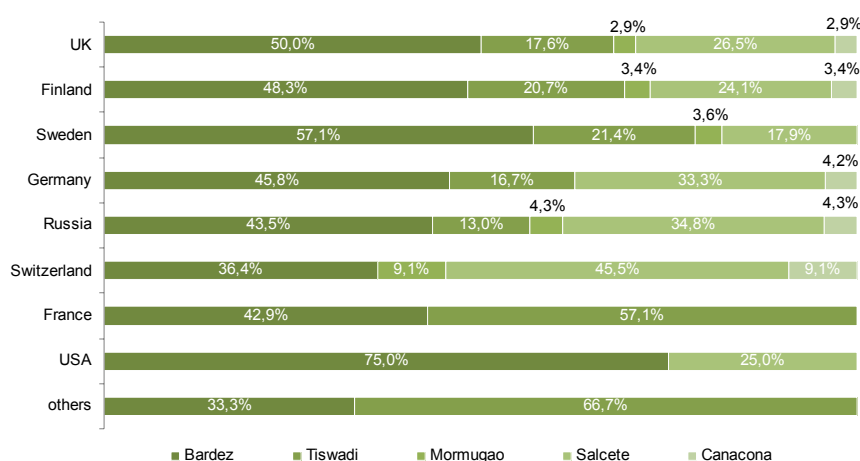


Figure 6.26 – International tourists by geographical area

Note: valid=34; missing=6

Source: own construction

### 6.5.2.3 Motivations

Goa is famous for its beaches but the territory also offers other attractions, such as scenic landscapes, lakes, rivers and waterfalls, in addition to its rich cultural heritage (churches, forts, architectural style and gastronomy). The temperate climate and the warm hospitality of the local people are also important tourism assets. However, despite the great diversity of tourist attractions, Goa mainly attracts visitors looking for sea, sand and sun, this constituting 77.5 percent of the main motivation (Figure 6.27). Business and conferences are also an important motive (77.5 percent), followed by culture and historical monuments (45 percent). Honeymoon and weddings attract 30 percent of the tourists, mainly Indians coming from other parts of the country.

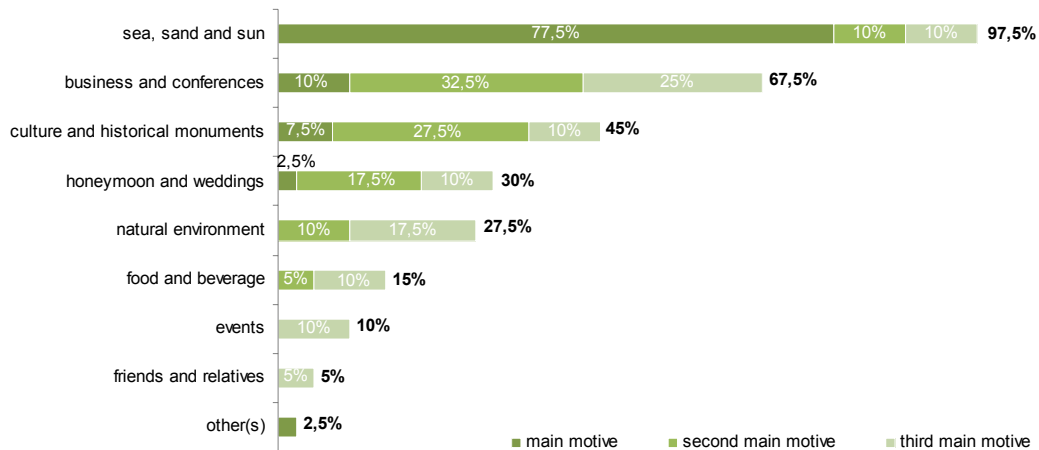
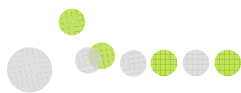


Figure 6.27 – Motivation of tourists coming to Goa

Note: valid=40; missing=0

Source: own construction

Figure 6.28 shows the main motivations of guests by the location of hotels. Guests with main motivations related with beach tourism can be found in every *taluka*, but mostly in Bardez (41 percent) and Salcete (35.9 percent). The same pattern is noticeable for people travelling for business and conferences. Visitors with interest in culture and heritage prefer staying in Bardez (55.6 percent), Tiswadi (22.2 percent) and Salcete (22.2 percent).

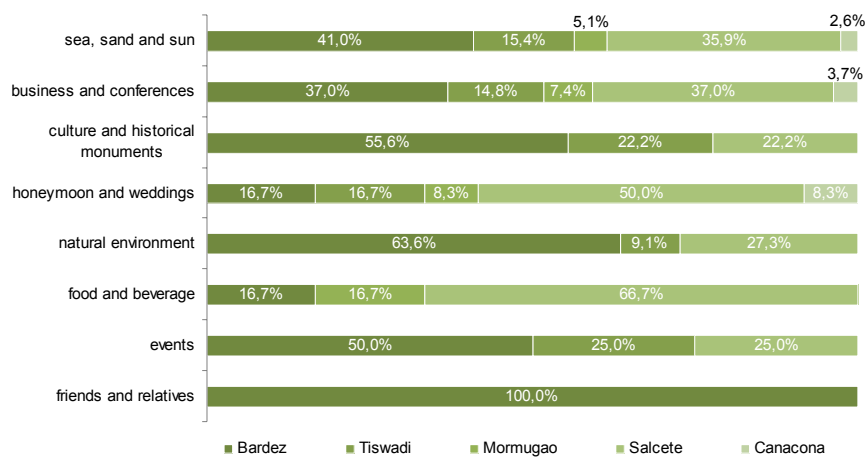


Figure 6.28 – Motivation of tourists by geographical area

Note: valid=40; missing=0

Source: own construction



One might expect a higher percentage of cultural-oriented visitors in Tiswadi, given that this *taluka* possesses interesting cultural features, not only in Panaji, but especially in Old Goa, which is a UNESCO world heritage site. However, having in mind that culture is mainly the second motivation of visitors, and given the physical proximity of Bardez, which also possesses attractive monuments, such as forts and churches, it is understandable why this *taluka* has such a high percentage. Salcete, besides neighbouring Ponda, which has the highest concentration of Hindu temples, encompasses an interesting array of houses with distinctive Goan architectural style in the area of Margao.

Hotels in Bardez also attract the majority of guests who travel to Goa to visit friends and relatives (100 percent), to attend events (50 percent) and to enjoy its natural environment (63.6 percent), something which is a bit surprising since Bardez is the most developed *taluka* in Goa, having lost much of its natural beauty. Salcete hosts a large portion of visitors driven by gastronomy (66.7 percent) and honeymoon and weddings (50 percent).

#### 6.5.2.4 Average length of stay

The average length of stay differs greatly from the season of the year and varies according to the category of the hotel. Generally speaking, it is higher in 3 star hotels and lower in heritage hotels, while the remaining categories present similar patterns. Guests tend to stay longer during the peak season, which is true in all categories presented in Table 6.11, however domestic tourists stay fewer days than international visitors. During off season, although they still stay longer, several hotels have reported that they do not get international tourists. This is partly because during off season there are no charter flights coming to Goa, and also because it is the rainy season, thus discouraging visitors that look for sun and sea. As mentioned in section 6.3.2.1, tourism flows during the monsoon, from June to September, are composed mainly of domestic tourists, who show a more even distribution throughout the year. As a result of the low tourist traffic during the monsoon, one tourist establishment reported that it opens its doors only for six months a year, being closed during the off season. During this season, several establishments lay off some of their workers (as presented above, the number of employees diminishes).

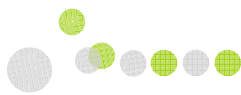


Table 6.11 – Average length of stay of guests per star category

star category	tourist season		peak season		off season	
	domestic tourists	international tourists	domestic tourists	international tourists	domestic tourists	international tourists
5 star deluxe <sup>a)</sup>	3.25	10.83	3.58	12.00	3.17	3.88 <sup>1)</sup>
5 star <sup>b)</sup>	3.33	11.67	3.67	11.67	2.83	5.75 <sup>2)</sup>
4 star <sup>c)</sup>	3.50	11.50	3.50	14.00	3.25	4.50 <sup>3)</sup>
3 star <sup>d)</sup>	4.13	10.33	5.07	12.36 <sup>4.1)</sup>	3.57 <sup>4.2)</sup>	3.83 <sup>4.3)</sup>
heritage <sup>e)</sup>	3.50	3.00	5.50	4.50	2.50	2.00 <sup>5)</sup>
total <sup>f)</sup>	3.64	10.44	4.26	11.89 <sup>6.1)</sup>	3.24 <sup>6.2)</sup>	4.19 <sup>6.3)</sup>

<sup>a)</sup> valid=12  
missing=0

<sup>b)</sup> valid=6  
missing=0

<sup>c)</sup> valid=4  
missing=0

<sup>d)</sup> valid=15  
missing=1

<sup>e)</sup> valid=2  
missing=0

<sup>f)</sup> valid=39  
missing=1

<sup>1)</sup> N=8 because the other establishments do not have international tourists during off season

<sup>2)</sup> N=4 because the other establishments do not have international tourists during off season

<sup>3)</sup> N=2 because the other establishments do not have international tourists during off season

<sup>4.1)</sup> N=14 because one establishments does not have international tourists during peak season

<sup>4.2)</sup> N=14 because one establishment is not open during off season

<sup>4.3)</sup> N=6 because the other establishments do not have international tourists during off season

<sup>5)</sup> N=1 because the other establishment does not have international tourists during off season

<sup>6.1)</sup> N=38 one establishments does not have international tourists during peak season

<sup>6.2)</sup> N=38 because one establishment is not open during off season

<sup>6.3)</sup> N=21 because the other establishments do not have international tourists during off season

Note: tourist season – October to mid December and mid January to mid June

peak season – mid December to mid January

off season- Mid June to September

Source: own construction

During the tourist and peak seasons, domestic guests tend to stay longer periods of time in Salcete (4.6 and 5.2 nights respectively) and Bardez (4 and 3.4 nights respectively), however during the off season the average length of stay is higher in Tiswadi (3.8 nights) followed by Salcete (3.6 nights). International tourists also show the same pattern, staying longer in the two major tourist *talukas*, however Bardez outperform Salcete (11.7 and 13.1 nights against 10.2 and 12.1 nights during tourist and peak seasons, respectively). Similarly, in the off season Tiswadi presents the higher value (3.8 nights), followed by Salcete (3.6 nights). This is not surprising given that the arrival of the monsoon, with sudden downpours and tropical thunderstorms, does not make beach areas so popular for long stays.



### 6.5.2.5 Average daily spending

In a study conducted in 1976 (TECS, 1976), it was concluded that the high-income foreign tourists displayed a large propensity to spend, however the low- and medium-income domestic tourists accounted for the biggest share in the total tourist expenditure. Results from the current study reveal that international tourists only tend to spend more than domestic tourists in 5 star deluxe and heritage hotels (Table 6.12). The average spending of domestic tourists outperform in all the other categories, reflecting the rising living standards of Indians and the squeezed prices from tour operators.

Table 6.12 – Average daily spending of guests per star category (INR)

star category	tourist season		peak season		off season	
	domestic tourists	international tourists	domestic tourists	international tourists	domestic tourists	international tourists
5 star deluxe <sup>a)</sup>	14,500.00	15,081.25	26,937.50	27,493.75	7,375.00	8.583.33 <sup>1)</sup>
5 star <sup>b)</sup>	4,804.33	4,566.67	9,900.00	7,737.67	2,457.33	3.007.00 <sup>2)</sup>
4 star <sup>c)</sup>	4,600.00	4,000.00	6,750.00	5,500.00	2,750.00	- <sup>3)</sup>
3 star <sup>d)</sup>	4,955.56	4,766.67	6,666.67	6,422.22	1,971.43 <sup>4.1)</sup>	1,500.00 <sup>4.2)</sup>
heritage <sup>e)</sup>	3,100.00	5,600.00	5,750.00	10,750.00	2,000.00	1,000.00 <sup>5)</sup>
total <sup>f)</sup>	7,933.88	8,185.42	13,758.33	13,894.29	4,076.00 <sup>6.1)</sup>	5,592.18 <sup>6.2)</sup>

<sup>a)</sup> valid=8  
missing=4

<sup>b)</sup> valid=3  
missing=3

<sup>c)</sup> valid=2  
missing=2

<sup>d)</sup> valid=9  
missing=8

<sup>e)</sup> valid=2  
missing=0

<sup>f)</sup> valid=24  
missing=16

<sup>1)</sup> N=6 because the other establishments do not receive international tourists during off season

<sup>2)</sup> N=2 because the other establishments do not receive international tourists during off season

<sup>3)</sup> N=0 because none of the establishments receive international tourists during off season

<sup>4.1)</sup> N=8 because one establishment is not open during off season

<sup>4.2)</sup> N=2 because the other establishments do not have international tourists during off season

<sup>5)</sup> N=1 because the other establishment does not have international tourists during off season

<sup>6.1)</sup> N=23 because one establishment is not open during off season

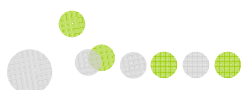
<sup>6.2)</sup> N=11 because establishments are not open or do not receive international guests during off season

Note: tourist season – October to mid December and mid January to mid June

peak season – mid December to mid January

off season- Mid June to September

Source: own construction



The contribution to Goa's economy by tourists coming by charter flights is not as good as tourism officials advocate, since they come on package deals and do not spend much outside the hotel during their stay, plus the fact that much of this money leaks away from Goa to corporations and chains operated by Indians from other parts of the country (45 percent of the hotels are owned by these companies).

All categories of hotels show the same spending pattern in terms of seasonal distribution; prices in the peak season almost double the prices of the tourist season, thus making the average daily spending increase greatly during this period. During off season, tourists that visit Goa are favoured by the discounted prices, thus the spending pattern is almost half of that in the tourist season. Not surprisingly, it can be observed that the higher the star category of the hotel, the bigger the spending. The exception is the 3 star category that presents higher spending per guest than the 4 and 5 star categories during the tourist season, and higher spending from international tourists than 4 star hotels in the peak season. Heritage hotels record the lowest daily spending per domestic guest, however they receive the second highest spending by international guests, except during off season, when it also represents the lower spending.

Table 6.13 – Average daily spending of guests per geographical area (INR)

	Bardez <sup>a)</sup>	Tiswadi <sup>b)</sup>	Mormugao <sup>c)</sup>	Salcete <sup>d)</sup>	Canacona <sup>e)</sup>
domestic guests			-		
tourist season	8.466,67	3.662,60	-	9.750,00	12.000,00
peak season	13.416,67	5.740,00	-	20.083,33	20.000,00
off season	3.650,00 <sup>1)</sup>	2.834,40	-	5.333,33	7.000,00
international guests			-		
tourist season	8.733,33	3.480,00	-	10.041,67	14.000,00
peak season	13.908,33	5.022,60	-	19.575,00	23.000,00
off season	6.333,33 <sup>1)</sup>	3.003,50 <sup>2)</sup>	-	7.500,00 <sup>3)</sup>	8.000,00

<sup>a)</sup> valid=12  
missing=5

<sup>b)</sup> valid=5  
missing=1

<sup>c)</sup> valid=0  
missing=2

<sup>d)</sup> valid=6  
missing=8

<sup>e)</sup> valid=1  
missing=0

<sup>f)</sup> valid=24  
missing=16

<sup>1)</sup> N=3 because one establishment is not open during off season and others do not receive international tourists during off season

<sup>2)</sup> N=4 because the other establishments do not receive international tourists during off season

<sup>3)</sup> N=3 because none of the establishments receive international tourists during off season

Note: tourist season – October to mid December and mid January to mid June

peak season – mid December to mid January

off season- Mid June to September

Source: own construction





Geographically, the average daily spending per guest is higher in South Goa (Table 6.13), that is where the majority of upscale resorts is located. Hotels in Tiswadi are the ones with the lower average daily spending, presenting a big difference from the ones located in other *talukas*.

### 6.5.2.6 Occupancy rate

International tourists clearly evidence a preference for the months between October and March to visit Goa (mostly because of the weather and the existence of charter flights), almost half concentrating in the months of November, December and January. International tourists visiting Goa show a more marked seasonal pattern than domestic tourists. Tourism flows during the off season are composed mainly of domestic tourists. Similarly, in the surveyed hotels great part of the guests during the peak and tourist seasons are international tourists, and those coming during the off season are mainly domestic tourists, with some establishments receiving no international tourists during this period.

Table 6.14 – Room occupancy rates per star category

star category	tourist season	peak season	off season
5 star deluxe <sup>a)</sup>	90.7%	98.3%	67.9%
5 star <sup>b)</sup>	85.5%	95.3%	63.0%
4 star <sup>c)</sup>	99.0%	100.0%	55.0%
3 star <sup>d)</sup>	80.4%	86.1%	57.2% <sup>1)</sup>
heritage <sup>e)</sup>	90.0%	100.0%	50.0%
total <sup>f)</sup>	86.2%	94.3%	61.1% <sup>2)</sup>

<sup>a)</sup> valid=7  
missing=5

<sup>b)</sup> valid=6  
missing=0

<sup>c)</sup> valid=2  
missing=2

<sup>d)</sup> valid=10  
missing=6

<sup>e)</sup> valid=1  
missing=1

<sup>f)</sup> valid=26  
missing=14

<sup>1)</sup> N=2 because one establishment is closed during off season

<sup>2)</sup> N=25 because one establishment is closed during off season

Note: tourist season – October to mid December and  
mid January to mid June

peak season – mid December  
to mid January

off season- Mid June to  
September

Source: own construction

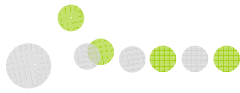


Table 6.14 shows the distribution of room occupancy rates by season and by the category of hotels. Globally, Goa's mid-range and upscale hotels present a high room occupancy rate. The lowest average value is 66.1 percent, which is very significant given that in some tourist destinations this ratio is attained only during the high season. Heritage and 4 star hotels account for 100 percent occupancy during the peak season, while 5 star deluxe hotels nearly reach full occupancy.

In terms of geographical distribution, during the peak season there is no significant differences in room occupancy rates, ranging from 90 to 95 percent in all *talukas*. In the tourist season, hotels in Tiswadi register the lowest occupancy rate (78.2 percent), closely followed by Bardez (82.8 percent). All the other *talukas* have occupancies above 90 percent (93.7 in Salcete and Canacona, and 98 in Mormugao). During off season, the occupancy rate in Canacona is as low as 5 percent, and 32.3 percent in Tiswadi. Bardez, Mormugao and Salcete present occupancies above 50 percent (52.2, 60 and 62.5 percent respectively). In some hotels, the occupancy is not very low because business tourism offsets the decline of visitors that come to Goa with leisure purposes.

### 6.5.3 Characterisation of firms

#### 6.5.3.1 Form of business organisation

Figure 6.29 shows the distribution of hotels by form of business organisation. It can be observed that 42.5 percent of hotels are owned by private limited companies, which are voluntary associations of not less than two and not more than fifty members, whose liability is limited and the transfer of shares is restricted to its members, not being allowed to invite the general public to subscribe shares or debentures. Unlike private limited companies, public limited companies, which represent 15 percent of the hotels, are permitted to sell its shares to the general public and must have a minimum capital investment of INR 100,000.

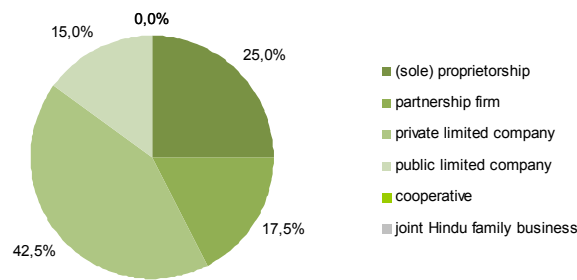


Figure 6.29 – Type of business organisation

Note: valid=40; missing=0

Source: own construction

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Sole proprietorship, where a single individual owns, manages and controls the business, represents 25 percent of the surveyed establishments. The remaining hotels are owned by a partnership firm formed by two or more persons, who have agreed to share the profits and the business is carried on by all of them or any of them acting for all. There is no firm in the form of cooperative or joint Hindu family businesses.

The form of business organisation varies according to the category of the hotel. Public limited companies own 41.7 percent of 5 star deluxe hotels, 83.3 percent of 5 star hotels are owned by private limited companies, while 50 percent of 4 star hotels are run by sole proprietorships. Three-star hotels are almost evenly distributed by proprietorships, partnership firms and private limited companies, although the later category represents a bit more, with 37.5 percent. The form of ownership of heritage hotels is equally divided by partnerships and private limited companies.

### 6.5.3.2 Ownership and management

Regarding the origin of the capital invested, there are also some differences according to the category of hotels. While 5 star deluxe and 5 star hotels are mainly owned by investors coming from other parts of India, 4 star and 3 star hotels are owned by Goan entrepreneurs (Table 6.15). Heritage hotels are evenly distributed. It is interesting to note that, among the surveyed establishments, there is no foreign capital.

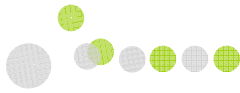


Table 6.15 – Origin of the capital invested

star category	Goan	Indian	foreign
5 star deluxe <sup>a)</sup>	16.7%	83.3%	0.0%
5 star <sup>b)</sup>	33.3%	66.7%	0.0%
4 star <sup>c)</sup>	100.0%	0.0%	0.0%
3 star <sup>d)</sup>	75.0%	2.8%	0.0%
heritage <sup>e)</sup>	50.0%	50.0%	0.0%
total <sup>f)</sup>	52.5%	45.0%	0.0%

a) valid=12  
missing=0

b) valid=6  
missing=0

c) valid=4  
missing=0

d) valid=15  
missing=1

e) valid=2  
missing=0

f) valid=39  
missing=1

Source: own construction

The majority of hotels is managed by the company (52 percent), and by the owner or family members (40 percent), while the remaining hotels are under management contracts with international corporations, such as Marriott and Park Hyatt, and with an Indian venture, the Leela Kempinski. Thirteen percent of the hotels is under a franchising agreement with world-renowned companies such as Holiday Inn, Radisson, Ramada and Intercontinental.

### 6.5.3.3 Objectives

There are a number of alternative objectives open to firms, being the most noticeable ones those of a maximising type, namely profit, sales revenue and growth maximisation (Griffiths & Wall, 2007). Although profit is usually important to firms, consideration must be given to a number of other objectives. Some of these objectives were identified on a study conducted by the Observatory of European SMEs (European Commission, 2004) and were used in this study.

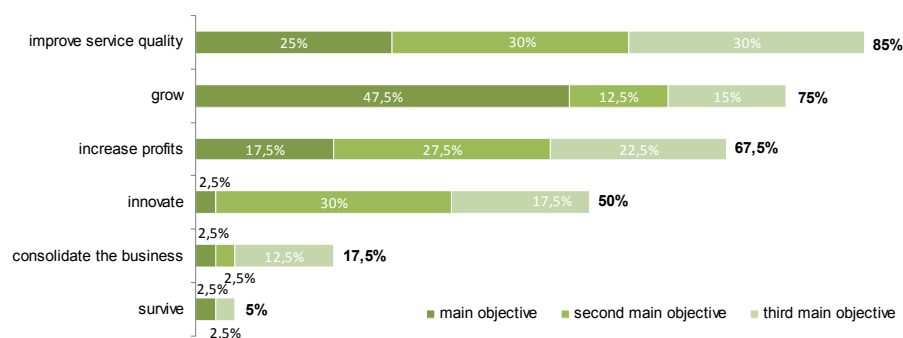


Figure 6.30 – Main objectives of the company

Note: valid=40; missing=0

Source: own construction

Based on the set of objectives, results show that almost half of the hotels stated that their main objective is to grow (Figure 6.30). Taking into account the top three priorities, the desire to grow is expressed by 75 percent of the hoteliers, who also aim to increase profits (67.5 percent). However, given the high standard of these hotels, 85 percent of respondents expressed the desire to improve the quality of their services in order to satisfy the needs and expectations of their guests. To innovate is an objective of half of the firms, although this being mainly a second or third priority. The goals of the firms do not reflect on the consolidation of the business, and especially on its survival, these only representing 17.5 percent and 5 percent, respectively.

#### 6.5.3.4 Affiliation

Firms consider important not being isolated in their business area, thus 95 percent are affiliated with trade associations (Figure 6.31). Moreover, 70 percent stated that they are affiliated with three or more tourism entities. The majority of associations receiving these affiliations are the Travel and Tourism Association of Goa (TTAG) (85 percent), the Hotel and Restaurant Association of the Western Region of India (HRAI) (80 percent) and the Federation of Hotels and Restaurants Association of India (FHRAI) (77.5 percent). The Travel Agents Association of India (TAAI) and the Hotel and Catering International Management Association (HCIMA) only cater for 17.5 percent and 5 percent, respectively.

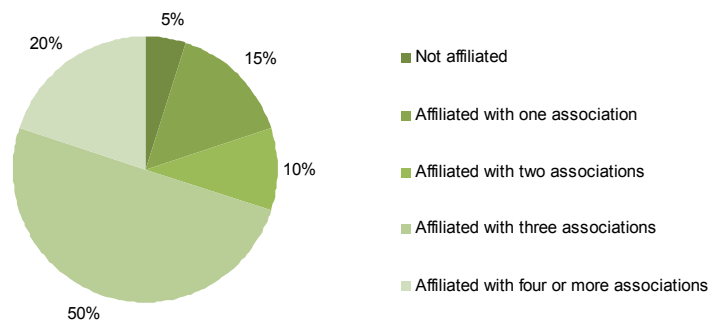
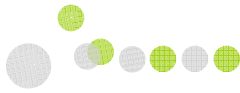


Figure 6.31 – Company's affiliation with tourism associations

Note: valid=40; missing=0

Source: own construction

When inquired about the advantages and disadvantages of being affiliated with a trade associations, 27.5 percent of hoteliers did not respond. Those who replied mentioned that there was no disadvantage (93 percent), being the only shortcomings related with the fees (3 percent) and the fact that some associations end up being just a social gathering (3 percent).

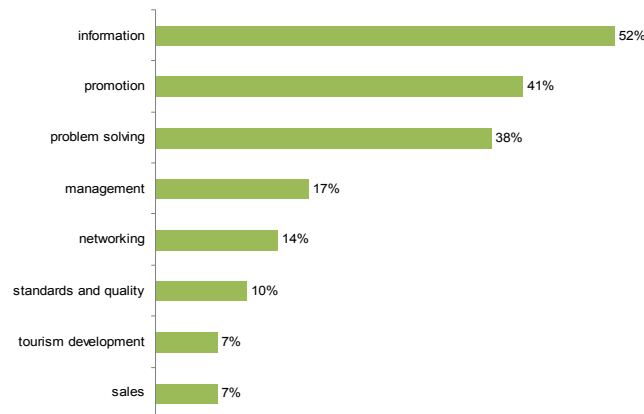


Figure 6.32 – Advantages of being affiliated with trade associations

Note: valid=29; missing=11

Source: own construction

The exchange of information (52 percent), joint promotional efforts (41 percent) and common problem solving (38 percent) were seen as the main advantages. Increasing management skills, networking, improvement of standards and quality, the contribution for tourism development and the increase in sales were also mentioned as advantages by the respondents (Figure 6.32).



## 6.6 Business networks and partnerships

Firms can cope with their internal limitations and threats of the global market and develop strategic positioning, by cooperating with other tourism industry partners, establishing partnerships with private sector operators and with the public sector. Therefore, another aspect considered in the study was past and present relationships with other companies.

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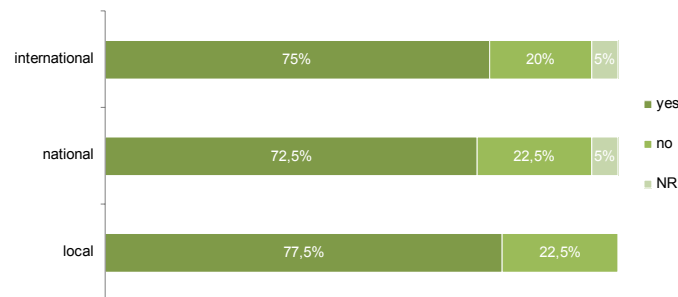


Figure 6.33 – Past business partnerships

NR – non-response

Source: own construction

Results show that the majority of the firms have already established partnerships with local (77.5 percent), national (72.5 percent) and international companies (75 percent) (Figure 6.33), and that they are very willing to engage in future relationships (Figure 6.34). Eighty-five percent of these firms stated their interest in establishing partnerships with international companies, while 5 percent mentioned that they were not very willing in doing so. No firm stated their unwillingness to establish partnerships with foreign counterparts; on the other hand 2.5 percent are not interested in having Indian or local partners.

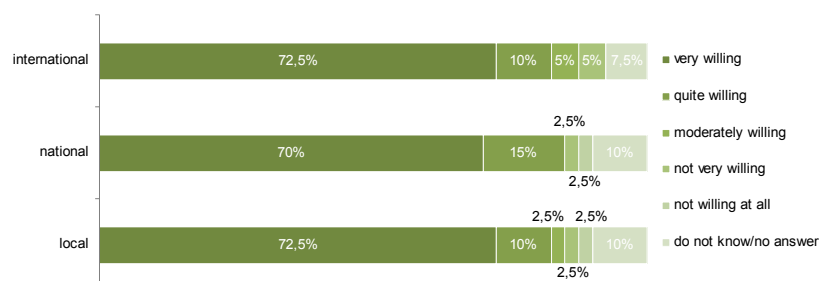


Figure 6.34 – Future business partnerships

Note: valid=40; missing=0

Source: own construction



Given that respondents consider important the establishment of partnerships and/or business relationships with other entities within the tourism sector, the majority stated their willingness to engage in regular and cross-sectoral interactions with these entities. More specifically, 72.5 percent is very willing to develop partnerships with travel agencies and tour operators (Figure 6.35), thus acknowledging their intermediation role between hotels and the final consumer. All the other tourism subsectors, also including governmental entities, received lower scores. If taking into consideration the categories ‘very willing’ and ‘quite willing’, the higher scores fall under cultural companies (67.5 percent), other accommodation establishments (65 percent), and leisure enterprises (62.5 percent). Although also presenting interesting scores, food and beverage establishments, transportation companies, governmental entities and companies engaged in sports activities are the entities that have received less interest.

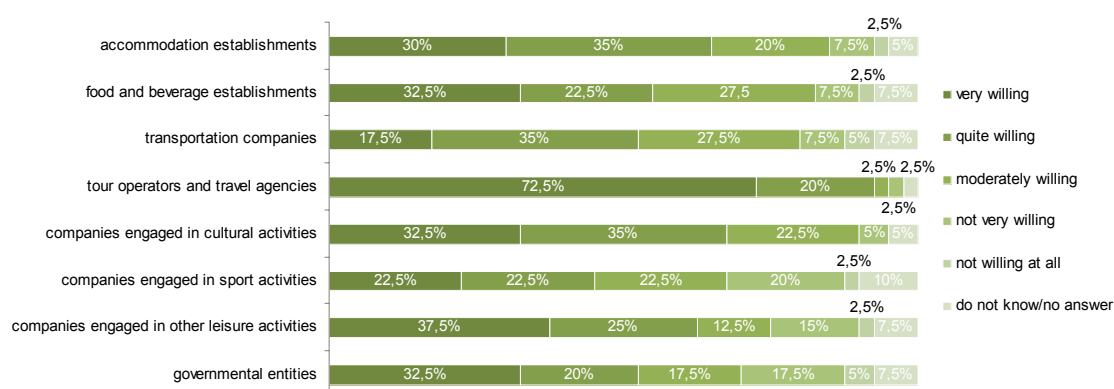


Figure 6.35 – Willingness to establish business partnerships with other tourism companies

Note: valid=40; missing=0

Source: own construction

Regarding the establishment of business partnerships with other organisations, 82.5 percent of the hotels reported that these collaborative forms are very or fairly beneficial (Figure 6.36), thus attaching great importance to them. In order to measure the importance of partnerships, a list of advantages resulting from collaboration among firms, adapted from Barringer and Harrison (2000) and the UNWTO (2003), was presented to respondents, so that they could rate the importance of each of them.



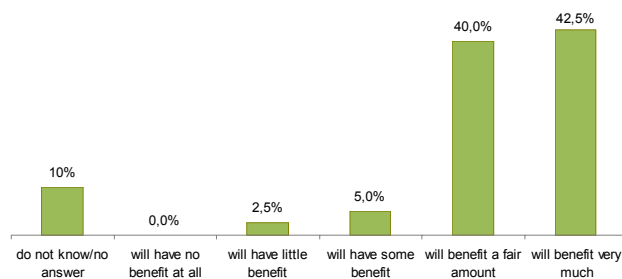


Figure 6.36 – Benefits of establishing partnerships with other organisations

Note: valid=40; missing=0

Source: own construction

Results show that partnerships are very important to attain the objectives of the company (70 percent), to set quality and service standards (67.5 percent), to improve marketing efficiency (62.5 percent) and to access new markets (57.5 percent) (Figure 6.37). On the other hand, they are not considered to be particularly important to obtain investment and funding, and to overcome trade and investment barriers, thus suggesting that capital is not an issue for these companies.

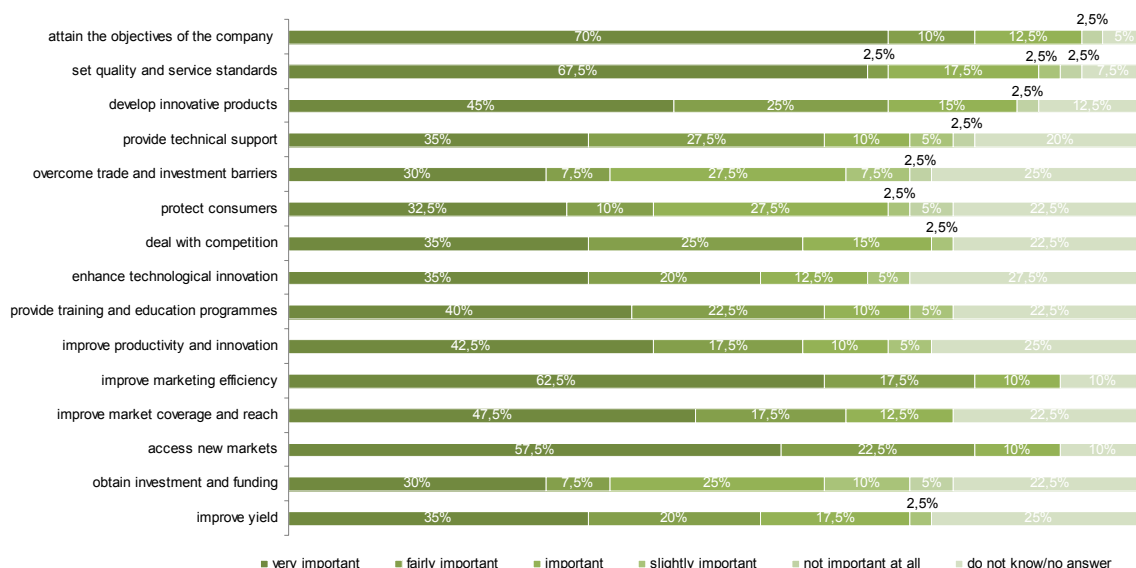
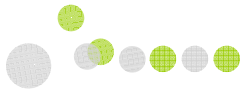


Figure 6.37 – Importance of establishing partnerships with other organisations

Note: valid=40; missing=0

Source: own construction



## 6.7 Discussion of opportunities and challenges to Portuguese firms

Despite the inexistence of Portuguese investment in Goa, there are interesting opportunities that Portuguese companies could grasp, namely in the tourism sector. The Goan Prime Minister stated that the Portuguese investment in Goa would be facilitated, either in partnership with local entrepreneurs or through direct investments (Lusa, 2007). Special attention would be given to tourism, namely to rural tourism, where Portugal has considerable experience (manor houses and *pousadas*), thus contributing to develop this product in order to diversity Goa's tourism basis.

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In addition, besides expressing their willingness to attract more Portuguese tourists, hoteliers are interested in building up business relationships with Portuguese companies as well (Figure 6.38). Comparing with the results of hoteliers' willingness to establish partnerships with international companies (Figure 6.34), one can see that there are slight differences. While 72.5 percent of the hotels are very willing to establish partnerships with international companies, only 65 percent are very interested in doing so with Portuguese firms. Nonetheless, when taking into account the total of the hotels interested in engaging in business relationships with Portuguese companies (very, quite and moderately interested), these account for 92.5 percent, against 87.5 percent of the international companies.

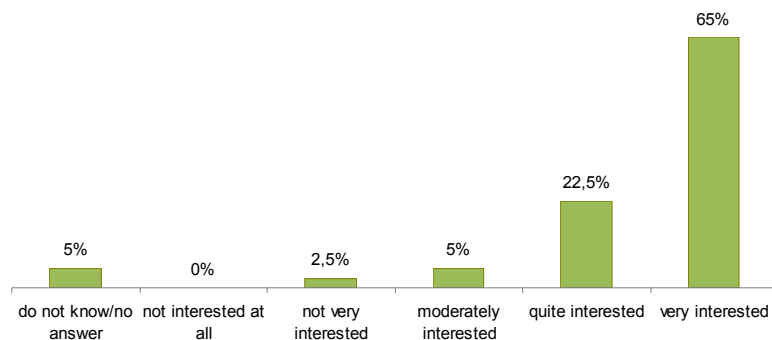


Figure 6.38 – Business relationships with Portuguese companies

Note: valid=40; missing=0

Source: own construction

Regardless the significance of these results, it should be noted that some caution and discretion are needed when approaching Goa. There are still some resentments and distrust

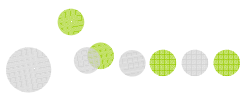


regarding Portugal by a faction of Goans, especially Hindus, who still have not forgotten the forced mass conversions to Christianity under the Portuguese rule (former president of TTAG and chairman of the Alfran Group, personal communication, February 8, 2006). This is still a very sensitive issue, added to the fact that, in general, Goans hold a very stereotyped image of Portugal, mainly that of the 1960s when Portugal was under the dictatorship of Salazar (consul of the Portuguese Consulate in Goa, personal communication, February 14, 2006). Also, the investment environment is very much dependent upon the political situation. If more conservative and nationalist parties, such as BJP or Save Goa, would be in power, the tendency would be to slow down foreign investment, especially from the former coloniser (consul of the Portuguese Consulate in Goa, personal communication, April, 18, 2007).

The interest in building up partnerships with Portuguese companies is vital given that foreign investment in India is still subjected to some restrictions, and, despite having its own government, Goa follows the rules laid down by the Government of India regarding this matter – the Clearances of the Government of India (deputy director of GTD, personal communication, 10 February, 2006). Moreover, heavy, corrupt and inefficient bureaucracy does not facilitate or encourage foreign investment (delegate of the Orient Foundation, personal communication, January 25, 2005). The right local connection is thus of surmount importance to surpass the regulatory and bureaucratic obstructionism, besides being greatly helpful in providing knowledge of local business customs and practices.

The Indian economic reform of 1991 was a major breakthrough, leading to the issuance, at the central level, of a new industrial policy permitting foreign investment up to 100 percent. Before 1991, under a very protectionist environment, FDI was limited to only 40 percent and subjected to a series of norms and regulations, which in some cases forced foreign investors to abandon their projects. The newly revised industrial policy is more liberal, transparent, and convenient for FDI. Nonetheless, according to the Reserve Bank of India (RBI), there are sectors in which FDI is still prohibited<sup>4</sup>. The permitted sectors, according to its nature, either have to follow procedures under the automatic route or procedures under the Government approval. FDI up to 100 percent is allowed under the automatic

<sup>4</sup> Retail trading (except single brand product retailing); atomic energy; lottery business; gambling and betting (Government of India, 2006a).



route in almost all activities/sectors, thus not requiring any prior approval either by the Government or the Reserve Bank of India (Government of India, 2004). For the sectors that are not in the automatic route, investment requires prior approval of the Central Government, granted by the Foreign Investment Promotion Board (FIPB).

Hotel and tourism-related industry<sup>5</sup> fall under the category of sectors under the automatic route with FDI up to 100 percent. That means that the investment could be made without approval of the central government, but it can take place only after taking necessary regulatory approvals from the state governments and local authorities for the construction of buildings, water, environmental clearance, among others. For detailed policies, procedures and issues on FDI in India see Bajpai & Sachs (2000), Balasubramanyam & Mahambare (2004); Bhati (2006), Chopra (2003), Forbes (2002), GCCI (2006), Government of India (2002, 2004a, 2004b, 2004c, 2005, 2006a, 2006b, 2006c), Kumar (2004), OECD (1996), Saqib (2001), Singh & Kulkarni (2006) and Tamuli (2006).

A foreign company planning to set up business operations in India has the option of being an incorporated entity (by incorporating a company through a joint venture or a wholly owned subsidiary) or an office (liaison office/representative office, project office or a branch office). Foreigners are not allowed to set up partnerships and proprietorships concerns in India.

There are restrictions on the acquisition of immovable properties in India by foreigners; however these restrictions would not apply if the immovable property is proposed to be acquired through an up to 5-year lease or by a resident in India. In the same way, there are restrictions for foreign companies. Only those companies who have been permitted to open a branch office in India are allowed to acquire immovable properties. In cases of liaison offices, companies can only take property through a lease not exceeding five years. For setting up a hotel, which surely needs the acquisition of land, it is important to know that

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<sup>5</sup> The term hotels include restaurants, beach resorts and other tourist complexes providing accommodation and/or catering and food facilities to tourists. Tourism-related industry includes travel agencies, tour operating agencies and tourist transport operating agencies; units providing facilities for cultural, adventure and wild life experience to tourists; surface, air and water transport facilities to tourists; leisure, entertainment, amusement, sports and health units for tourists; and convention/seminar units and organisation (Government of India, 2006b).

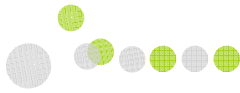


there are this kind of restrictions, regulated by the Foreign Exchange Management Act (FEMA) of 1999, as well as by the other regulations issued by the RBI<sup>6</sup>. The existence of a local partner, who could surmount these restrictions, is thus of a great importance (consul of the Portuguese Consulate in Goa, personal communication, February 14, 2006).

Another aspect to consider, and that might have an influence in the business environment, are bilateral relationships. The diplomatic relations between Portugal and India have been gradually improving since Portugal's formal recognition of the sovereignty of India over Goa, Daman and Diu in 1974, but only in late 1990s they started to develop. The first state visits by a President and Prime Minister of India to Portugal took place in 1998 and 2000, respectively. Political issues were discussed, as well as economic relations and socio-cultural aspects of the bilateral relations between India and Portugal. In addition, a bilateral agreement to protect and promote investments was signed during the later visit. More recently, relations between the two countries got a serious boost with the visit of the Portuguese President to India in 2007. Besides the political agenda, the state visit included economic seminars (India-Portugal Business Forum) and business meetings in New Delhi, Mumbai, Goa and Bangalore. The President, who was the honour guest of the Partnership Summit 2007, a major economic event in India, played an important role as an agent for the internationalisation of Portuguese companies.

If at the political level the relationship is good, at the commercial and business levels, there is little interaction between Portugal and India, existing a deficiency in mutual knowledge and understanding (consul of the Portuguese Consulate in Goa, personal communication, February 14, 2006). Despite the strong growth of the Indian economy and the large amount of opportunities it offers to foreign investment, the number of Portuguese companies exploiting this market is very limited. A disinterest explained by the restricted information they have on the market, poor knowledge on the Indian culture, lack of networking and language barriers (economic counsellor of the Portuguese Embassy in New Delhi, personal communication, February 28, 2007). Nonetheless, some steps have been taken to invert this tendency, by establishing a bilateral chamber of commerce and a delegation of the

<sup>6</sup> Notification N°. FEMA 21/2000-RB of May 3, 2000; Notification N°. FEMA 64/2002-RB of June 29, 2002; Notification N°. FEMA 65/2002-RB of June 29, 2002; Notification N°. FEMA 93/2003-RB of June 9, 2003; and Notification N°. FEMA 146/2006-RB of February 10 2006.



Portuguese business agency (AICEP) in New Delhi. Given that Goa shares a cultural link and an historical past with Portugal, these aspects could be used as a catalyst to build up economic relationships (consul of the Portuguese Consulate in Goa, personal communication, February 14, 2006). Moreover, the Goa tourism policy defended the provision of assistance and facilitation of foreign investors for setting up special tourism projects by streamlining the project clearance mechanism and placing it on the fast track (deputy director of GTD, personal communication, 10 February, 2006).

Despite the fact that there is not much interaction at the tourism level, apart from the Portuguese tourists that visit the territory, there have been a few intentions of setting up tourist businesses in Goa, namely by the Orient Foundation and the Pestana group, which saw a huge potential to expand its network of historical *pousadas*. In addition, it is old the aim of setting up a charter operation between Portugal and Goa. One of the attempts to start the charter flights was put forward by a partnership between Jet Airways, an Indian airline, and Air Luxor, before it suspended its operations, but nothing really came up (delegate of the Orient Foundation, personal communication, January 25, 2005). Another Portuguese company that showed interest in operating charter flights to Goa was Soltrópico, having announced the beginning of its operation in 2006. However, according to its CEO, the intention was discarded because of problems related with the physical distance (Costa, 2007).

Several stakeholders in Goa stated that a charter flight would only make sense if it would be aimed at both the Portuguese and the Spanish markets, otherwise it would not be profitable. Nonetheless, during the visit to Goa of the Portuguese Foreign Affairs Minister in 2008, he emphasised the desire to start charter flights to Goa and also to open a Portugal Tourism office in Panaji (SB-Goa, 2008). In addition, he revealed the interest in repairing and maintaining old monuments and palatial houses, which can be subsequently converted into *pousadas*. Already in 2006, the President of the Orient Foundation, also during a visit to Goa, proposed to the State Government joint efforts to restore historic sites, aiming to achieve benefits for the local tourism. Other projects included the opening of a chain of Portuguese cuisine restaurants and the financing of several football matches of Sporting Club Portugal in Goa on the occasion of its 100<sup>th</sup> anniversary (Turisver, 2006). Apart from



the first aim, in which many historical monuments all over Goa benefited from restoration work, the other projects have not been accomplished yet.

As mentioned previously, Goa has many tourist attractions; its main strengths being the friendliness of Goan people, its monuments, nature and beaches (manager of travel and events of GTDC, personal communication, 10 February, 2005); the hospitality and gastronomy (travel agent and former president of TTAG, personal communication, February 17, 2007); and the culture and music (former president of TTAG and chairman of the Alfran Group, personal communication, February 8, 2006). Despite its diversity of resources, Goa is mainly focused on beach tourism catering for package tourists. Nevertheless, the recent Goa Regional Plan has already stressed the need of a shift away from charter tourism towards up-market tourism, especially focusing on other forms, such as adventure/ecotourism, medical tourism and MICE, in order to increase revenues (Government of Goa, 2008). The government is thus showing a gradual shift towards quality tourism, trying to target niche markets.

In order to identify which are the main profitable/attractive types of tourism in Goa in the future, this question was asked both to key stakeholders and to hoteliers. According to the president of TTAG, Goa is going to focus very soon on inland water tourism, heritage tourism, ecotourism, culture and village tourism, and also keep developing beach tourism. But the shift will be essentially towards cultural tourism (president of TTAG and chairman of the tourism committee of GCCI, personal communication, April 7, 2007).

Portuguese could contribute to the development of cultural tourism, not only in the supply side (investment), but also in terms of demand (tourists). However, on the supply side there are some difficulties in trying to develop this product, namely the lack of public financing and the houses/properties belonging to several heirs (delegate of the Orient Foundation, personal communication, January 25, 2005). On the demand side, given the cultural link, Portuguese tourists could be a pilot market to develop culture-related products, in order to foster the demand from other European countries. However, trying to sell the nostalgia of the colony, might not work for other markets (delegate of the Orient Foundation, personal communication, January 25, 2005).



As seen previously, the Portuguese market is not much significant in Goa. According to an officer of GTDC, there is no knowledge about former colonies among younger generations, thus being necessary to promote intercultural exchanges. “It is Portuguese obligation to come to Goa, not to visit the stones, but the people.” (manager of travel and events of GTDC, personal communication, 10 February, 2005). Seminars for artists, musicians, doctors, among others; language exchange programmes; and the visit of the Portuguese football team to Goa were mentioned as example of actions necessary to establish a bond, which then would create the urge to travel, and possibly to invest. In order to promote Goa in Portugal, the GTD has been taken part of the Lisbon Travel Fair (*Bolsa de Turismo de Lisboa*) since 2003. While the first year was just to observe and establish contacts, in the following years, the GTD has put up a stand (deputy director of GTD, personal communication, 10 February, 2006).

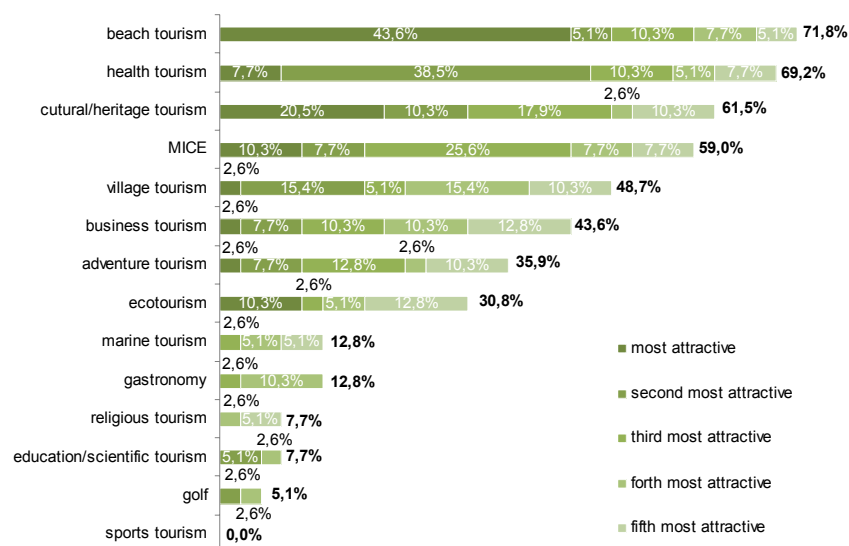


Figure 6.39 – Profitable/attractive type of tourism in Goa

Note: valid=39; missing=1

Source: own construction

Given that most of the surveyed hotels are beach tourism oriented, it is not surprising to see that the opinion of their owners/managers regarding the attractiveness/profitability of the different types of tourism falls under this category (Figure 6.39). However, non-business related people regards beach tourism as mass tourism with little return to Goa because it is very much dependent and controlled by international tour operators (delegate





of the Orient Foundation, personal communication, January 25, 2005). Cultural tourism is considered to be the most attractive product after beach tourism, receiving 20.5 percent of responses, however, retaining the third position overall, behind health tourism that is considered to be an attractive tourism product by 69.2 percent of respondents. Cultural/heritage and village tourism are also regarded, by a former president of TTAG, as important types of tourism (travel agent and former president of TTAG, personal communication, February 17, 2007); however, village tourism was just mentioned by 48.7 percent of hoteliers.

MICE and business tourism are considered to be interesting products to explore in the future by 59 percent and 43.6 percent of the hoteliers, respectively. Other products include adventure and ecotourism (where the spice farms were given as a good example), marine tourism (such as marinas, aquarium and glass bottom boats), golf and education/scientific tourism (manager of travel and events of GTDC, personal communication, 10 February, 2005). All these products should be developed to cater for the high-end tourism, and not to attract mass tourists (former president of TTAG and chairman of the Alfran Group, personal communication, February 8, 2006). Religious tourism is not considered to be very expressive by hoteliers; however Goa has a well established image of a Christian and westernised territory in India, which causes some nuisance to Hindu Goans, but that sells the destination, both domestically and at the international market. Nonetheless, and despite attracting a large number of people during important festivals, religious tourism is not very attractive from the economic point of view given that many visitors stay at their friends and relatives' houses, not contributing much to the local economy (delegate of the Orient Foundation, personal communication, January 25, 2005).

Honeymoons and senior school trips were also mentioned to be interesting segments to explore, especially given that India's youth is immense, and that, when financially comfortable, these young people tend to repeat the visit in the future. Aspects that are diminished by Goans were also considered worth exploring to promote the territory, such as the *sussegad* characteristic, introducing the concept of slow food and slow cities in Goa (delegate of the Orient Foundation, personal communication, January 25, 2005).

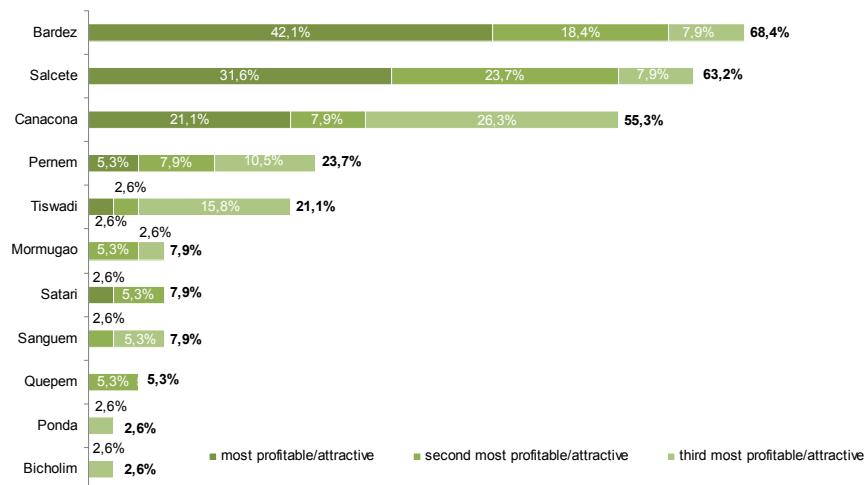
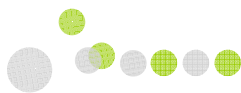


Figure 6.40 – Profitable/attractive geographical areas for tourism in Goa

Note: valid=38; missing=2

Source: own construction

Geographically, hoteliers tend to point out the already overdeveloped *takukas* of Bardez and Salcete, as attractive areas for conducting tourism businesses (Figure 3.40). Canacona is also regarded as an interesting area to develop in the future. Other stakeholders mostly identify the south, where different products could be developed, for example a family-oriented first class amusement park (manager of travel and events of GTDC, personal communication, 10 February, 2005). Inland areas are already starting to develop, with local businessmen initiating investment projects there (president of TTAG and chairman of the tourism committee of GCCI, personal communication, April 7, 2007); however, those were the least mentioned areas by hoteliers.

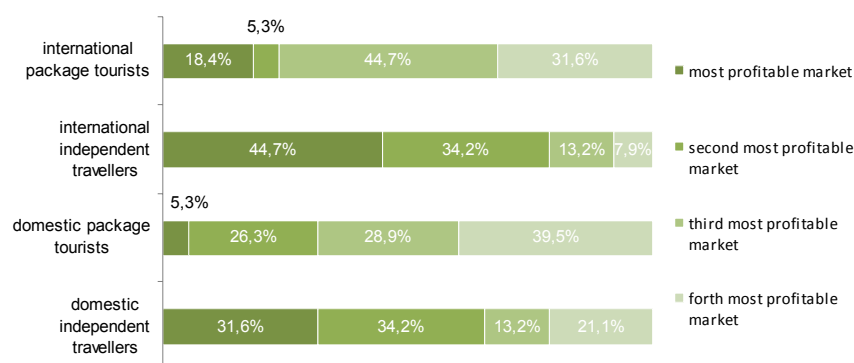


Figure 6.41 – Profitable/attractive market segments for tourism in Goa

Note: valid=38; missing=2

Source: own construction

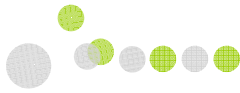


As for the market segments, hoteliers clearly identified independent travellers as the most profitable ones, with a slight preference for international tourist over domestic ones (Figure 6.41). Nonetheless, gradually people in Goa are changing their preferences, with both markets being now regarded as attractive, and not just foreign tourists. This might reflect the realisation of the dangers of the overdependence on the international market, and also the growing living standards in India, where the middle class is estimated to be around 300 thousands and having a huge pool of young people, which will constitute the travellers of the future (manager of travel and events of GTDC, personal communication, 10 February, 2005).

## 6.8 Conclusion

Prior to Liberation in 1961, tourism was virtually non-existent in Goa and there was hardly any scope for its development. Tourist facilities hardly existed to welcome visitors in the territory, either in the form of accommodation or other amenities. The Liberation proved to be the turning point for tourism development in Goa. The Government of India, realising the fact that tourism is an activity which generates considerable economic benefits, started to pursue vigorously a development strategy aimed at improving the country's share in the world tourist receipts. Accordingly, tourism began to dominate the discourse of development within the state of Goa.

A programme of rapid expansion of accommodation facilities and related tourist services was initiated. The local government concentrated on the provision of accommodation facilities for middle and low income groups of mainly domestic tourists, encouraging the private sector to develop infrastructures to cater to the high-income domestic and foreign visitors. As a result, the territory attracts annually many visitors, both domestic and foreign tourists, who are drawn by its beaches, scenic beauty, festivals, historical monuments, gastronomy and by the warm hospitality of the local people. As the dominant reason for tourist attraction to Goa is its beaches, coastal tourism was adopted as a key sector for Goa's development.



In order to protest against the negative impacts that tourism development has produced in some areas, anti-tourism lobby groups, composed of citizens and activist village groups, as well as environmentalist NGOs, have emerged in the territory and have been particularly active. They managed to draw international attention to their cause and have proved to be successful in some legal actions against construction of hotels and resorts in fragile areas, in stopping development on community land, in protecting the rights of workers and ensuring that hotels do not impede the access of locals to the beach. Generally speaking, Goan people are not opposed to tourism *per se*, as the livelihoods of many families dependent on it, at least in part. Rather, it is the nature of tourism development that has been causing conflict. Their little involvement in the policy decision-making process has also exacerbated the situation, as they have a strong sense of alienation about decisions that are affecting their lives and the future of the local community.

Results from primary data collection in Goa show that mid-range and upscale hotels, mainly built in the last two decades, tend to cluster in certain areas of the coastal belt. They are large scale hotels with a wide range of facilities to cater for the needs of tourists, who mainly come from abroad on package tours. These tourists visit Goa motivated by the beach and stay for long periods of time during the tourist and peak seasons, while domestic tourist tend to visit the territory during the off season, thus inducing a high room occupancy rate throughout the year.

The firms that own these hotels are local or formed with capital from other parts of India, but some of them have management contracts or franchising agreements with international corporations. Their main objectives are to improve quality and to grow, and for those purposes they find particularly important the establishment of partnerships with other entities, namely with Portuguese firms.

In fact, there is a series of opportunities that Portuguese companies could seize in order to explore the market of Goa, in especial the cultural and historical links and the good receptivity of the local government, as well as the companies that explore the mid-range and upscale hotel sector. Nonetheless, it is important to have in mind that this market poses some challenges, given its different political background, business and cultural specificities,



thus being important the establishment of business relationships with local partners, in order to gain market knowledge and being incorporated in existing business networks in a faster and a rapid way.

However, if at the political level the relations between Portugal and India are at a good level, at the commercial and business levels, there is little interaction between the two countries, existing a lack of mutual knowledge. It is thus important to foster networking between Portuguese and Goan businessmen, with some steps having been already taken with the creation of business agencies aiming to foster this kind of relationships.

Despite the difficulties and being a psychic distant market, some Portuguese tourism companies had already shown interest in expanding and exploit some advantages of the cultural link that exists between Goa and Portugal. The next chapter presents an overview of the internationalisation pattern of the Portuguese economy, addressing specifically the tourism sector. An analysis of Portuguese firms with international operations in the hotel sector is made and, through an empirical study, their interest in investing in Goa will be assessed.

# the internationalisation of the Portuguese economy

» the case of the hotel sector



## 7.1 Introduction

Given that this chapter deals with the internationalisation of the Portuguese economy, it starts by tracing the background of the overseas investment in an historical perspective (section 7.2), as well as presenting the main studies on the phenomenon, then addressing specifically the tourism sector (section 7.3). A brief analysis of Portuguese firms with international operations in the hotel sector is made (section 7.4), before presenting the results from the empirical study. Results are presented at the firm and unit levels (sections 7.5 and 7.6). A detailed analysis and discussion of the results concludes the chapter (section 7.7).

## 7.2 The internationalisation of the Portuguese economy

Portugal has a long record of being one of the poorest countries in Europe. It has failed to accompany successive industrial revolutions, with its industrialisation process only taking off in the 1960s, as a result of the abandonment of autarkic policies, which produced a considerable impact on economic development (Castro, 2004). Since then until the 1974 revolution, real GDP per capita registered an annual growth rate of 6.9 percent, managing to grow from one third to half that of the most developed European countries (Castro, 2000). However, in the second half of the 1970s and early 1980s Portugal faced a particularly difficult period, being hit by the worldwide economic recession, and, at the same time, it had to deal with the socio-economic impact of the revolution. However, the situation changed with Portugal's accession into the European Economic Community (EEC) in 1986, and the Portuguese economy suffered deep transformations. According to Castro (2004), it was in this period that Portuguese foreign direct investment prompted the characteristics of a developed economy to become, as described in the Investment Development Path (IDP), a 'stage 4' country.

In face of this, it is not surprising that Portuguese overseas foreign direct investment is a very recent phenomenon. According to Castro (2000), the first flows of outward investment only occurred in the first half of the 1970s, as a result of the expansion of several firms to the African colonies, mostly in the areas of manufacturing, construction and primary sector. These important investments, mostly made by large firms and economic groups that dominated the Portuguese economy at the time, were coupled by the



investment of Portuguese banks in countries with big Portuguese communities, namely in France, Germany, Venezuela, Brazil, Canada and South Africa (Costa, 2003b). During this period, outward investment was thus limited geographically and in terms of industry.

The international expansion of Portuguese investment was however momentary, given that the 1974 revolution prompted the dismantling of the economic groups and the independence of the colonies, which led to the nationalisation of Portuguese subsidiaries by the governments of the newly independent countries and the destruction of buildings and equipments during the civil wars that followed independence (Castro, 2000). During this period, there was a shift of FDI from African countries towards Latin America, particularly Brazil and Venezuela (Costa, 2003b)

The accession into the EEC produced major implications for the internationalisation of the economy. The development of the European integration, with free circulation of people, goods, services and capital, encouraged a greater openness of the Portuguese economy, at a time when the globalisation process started to intensify. This new relationship with the European economy upgraded the image of the country, brought new opportunities for international business, and permitted the inflow of European funds, essential to infrastructural development and investment promotion. It is thus not surprising that since 1986 international investment flows started to increase, not only inward FDI but also outward FDI (Figure 7.1).

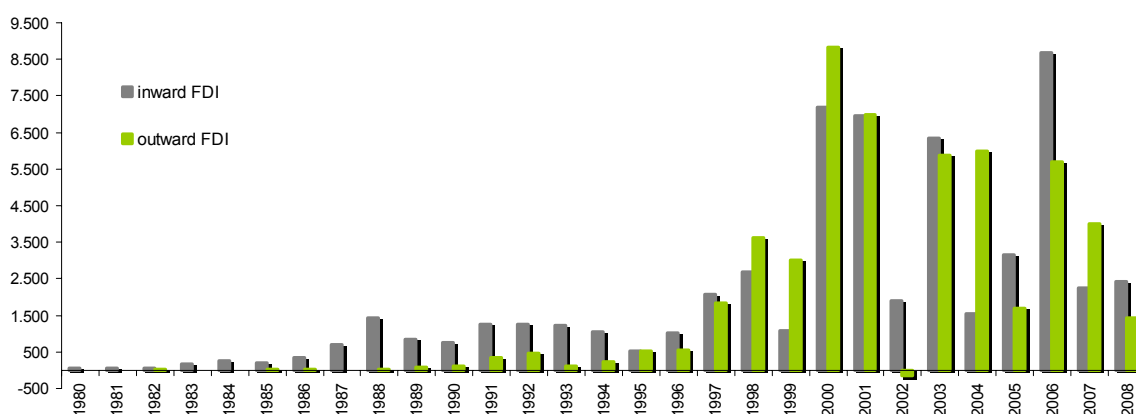


Figure 7.1 – FDI inward and outward flows in Portugal, 1980-2008 (in million Euros)

Source: Bank of Portugal (BPstat – online database)





Inward investment experienced an exponential increase because the ECC membership has enhanced and attributed to Portugal a greater attractiveness as a FDI host country: socio-economic and political stability; reduced labour costs; goodwill of national entities, often traduced in financial and fiscal benefits; geographical location; access to European structural and cohesion funds; decapitalised entrepreneurial structure with low technological level; privatisation process that started taking place after 1989; and liberalisation of the financial system (Crespo, 2004).

It should be noted that despite the low international projection of Portuguese firms during this period, they have been forced to compete domestically with multinational enterprises, thus being forced to be more efficient, productive and pay attention to added value. Within this competitive scenario, Portuguese companies learnt more sophisticated competencies and managerial practices, namely by joining supply networks or establishing forms of cooperation with these multinationals.

Portugal was, by then, mostly a recipient of inward foreign investment, with low levels of investment overseas. It was not until the 1990s that outward FDI became relevant in the Portuguese economy, reflecting the growing involvement of Portuguese companies in the international market, and being, in part, leveraged by the integration in international networks, which gave them the knowledge and the confidence to engage in business activities overseas (Crespo, 2002). Outward foreign investment flows gained a new dynamic, with exception of 1993-94 due the economic crisis, showing an impressive pace of growth.

In 1996 there was a methodological change, but it barely affected outward FDI figures, maybe because outward investments was too few and too recent to generate sizable profits that could have been reinvested (Castro, 2004). In 1998, for the first time in the Portuguese history, outward FDI flows surpassed inward flows, transforming the country into a net exporter of capital until 2001, which is an inversion of its traditional role. In this context, 2002 was absolutely atypical since net outward FDI was negative, thus showing disinvestment, in face of the country's deep economic recession and the generalised reduction of FDI flows, on both the domestic and foreign markets (Castro, 2004). In 2003,



outward investment picked up again and in 2004 it was almost fourfold the amount of FDI in Portugal. In the following years, it has experienced ups and downs and in 2008, outward investment reached a net value of 1.5 billion Euros.

The distribution of outward FDI by industry is somewhat difficult to assess, given that statistical information provided by the Bank of Portugal is based on the industry of the investing firm rather than the recipient company, plus the fact that most investment is done through holding companies. Nonetheless, it is possible to say that there has been a clear tendency of investment concentration in the service sector, namely in real state and financial activities (See Appendix 11). Given that in 1996 the Bank of Portugal introduced a new statistical series, data prior to this year is not comparable because of the methodological change. Costa (2003b) analysed the relative importance of all sectors in the two periods (one prior to and another after the change) and concluded that the manufacturing industry started losing importance. It represented 23 percent of the total investment in the first phase, and in the second period, until 2001, it was just 3 percent (it is credited with just 5 percent of the stock of outward FDI in 2007).

From mid 1990s until early 2000s, investment in real estate increased tremendously, representing the most important sector in outward investment. In the same period, financial activities declined in relative importance, and conversely, transportation and communications have increased substantially. In 2004, Portuguese FDI was focused on activities involving real estate (81.6 percent of the total), followed, with an enormous gap, by financial activities (6.8 percent) and commerce, hotels and restaurants (5.9 percent). In 2008, real estate was still a major activity (68.3 percent), although losing its share, with financial activities increasing to 10.6 percent, followed by the processing industry (6.9 percent) and commerce and tourism (5.5 percent) (Figure 7.2).

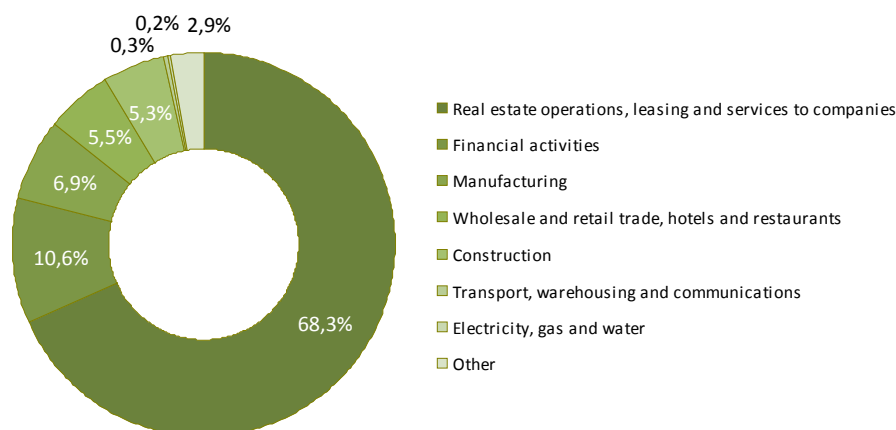
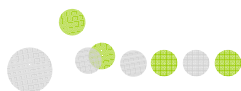


Figure 7.2 – Portuguese gross foreign direct investment per sector, 2008

Source: Bank of Portugal (BPstat – online database)

Another characteristic of the Portuguese outward FDI is that it is very much concentrated in a few countries. From mid-1980s until mid-1990s, as a result of the European integration movement and the significant increase of investment flows, Portugal was very much dependent upon the European Union (EU), particularly Spain, followed by the United Kingdom and France. Between 1991 and 1995, Spain was by far the top destination for Portuguese investment, accounting for more than 40 percent of the total in 1995. Outside Europe, the United States was the country that absorbed the highest share of Portuguese investment, along with Portuguese-speaking countries in Africa (PSCA) (Caetano, 1999; Costa, 2003b). This geographical distribution conforms to the incremental model of internationalisation, showing expansion to physical and psychic proximate countries. This proximity seems to have exerted a great influence in the orientation of the international investment.

From mid-1990s onwards there was a noticeable change in that trend and a reorientation of destinations for FDI, showing a greater geographical diversification. The European Union started losing its share, dropping from 80 percent in 1995 to 46 percent in 2000. This was mostly caused by the emergence of Brazil as a favourite market for Portuguese investors, which represented already 40 percent of the total Portuguese FDI in 1998. Despite Spain being the most important recipient of Portuguese investment within Europe, Brazil emerged as a major destination until 2000, a time when Spain started to increase again its importance (the biggest investments were concentrated in the period 2000-2002). The



growth of Portuguese FDI in Brazil was triggered by the economic conditions created by the stabilisation programme of 1995/96 and the privatisation process that started a few years later in several Brazilian States (Castro, 2000). This explains the concentration of very high flows in the period between 1998 and 2001. The psychic proximity and the linguistic identity were also influential, being strong facilitators of business relationships (Crespo, 2002).

In early 2000s, there was again a concentration of Portuguese investment in the EU markets (in 2001 it accounted for 81 percent of the total). This shift resulted from dynamics produced by corporate strategies and mostly by the greater vulnerability of investments in Latin America. In 2001, Brazil was responsible for absorbing just 9 percent of total investment, which is a percentage much lower than the achieved in previous years. From then on, the prime destinations for Portuguese FDI have been EU countries, particularly the Netherlands and Spain. In 2008 the major destinations of outward FDI were the Netherlands, Spain, Brazil, Angola and the United Kingdom, which together accounted for 68.2 percent of the total investment (Figure 7.3).

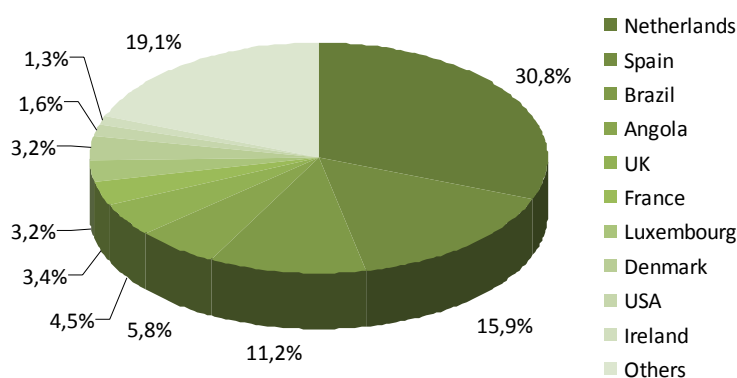
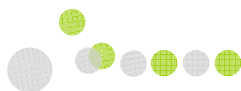


Figure 7.3 – Portuguese gross direct foreign investment by major recipient countries, 2008

Source: Bank of Portugal (BPstat – online database)

It would appear that, in recent years, despite the importance of Europe, there has been a greater diversification of the destinations for Portuguese investment. In fact, in addition to the countries of the Euro Zone and Brazil, there has been a greater focus in Portuguese-speaking African countries (mainly Angola), as well as in central and eastern European countries (particularly Poland, Hungary, Romania and Czech Republic), thus reflecting a



resolve and the capacity to develop a global positioning. Figure 7.4 synthesises the main recipients of Portuguese outward investment.

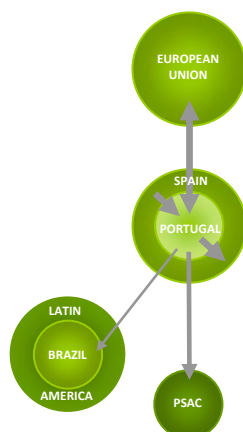


Figure 7.4 – Main destinations of Portuguese outward investment

Source: Ribeiro (2002)

The internationalisation of the Portuguese economy and companies is thus a recent phenomenon, having acquired in recent years a projection and dimension that have never achieved before. However, the dynamism of the process of internationalisation has not been followed by a similar movement in the study of the phenomenon. Even though there is already a reasonable number of published works, from which derive the main characteristics and difficulties encountered along the internationalisation process of Portuguese companies, the subject is still addressed in a broad manner, centred mainly in the manufacturing industry.

Among the published work it is possible to find reports to/from public bodies (CISEP & CEGEA, 2001; Claro & Escária, 2003; Costa, 2003a; ICEP, 1998; IFT, 2002; Leal, 2005; Mendonça, Farto, Ribeiro, Dias, & Romão, 2001a, 2001b; Proença, Escária, Claro, Modesto, & Leitão, 2003; Ribeiro, 2002, 2003; Silva, Fernandes, & Costa, 2002a, 2003; Vítor Corado Simões, 1996), case studies and testimonies of personal experiences (Armindo & Amorim, 1997; Brito, Alves, & Silva, 2002; Cruz, Rodrigues, Hofschulz, & Valadas, 1999; FIEP, 1999, 2000, 2001, 2002, 2003; Gago, Cardoso, Campos, Vicente, & Santos, 2002; Gros, 1997; Pestana, 1998; Pricer & Cruz, 1996; P. S. Silva, 1997; Sousa, 1997) and academic studies (Africano & Magalhães, 2005; Amorim, 1997; Castro, 2004;



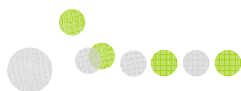
Centeno, 2004; Dominginhos, 1999, 2001; Freire, 1998; Ilhéu, 2006; Lages & Montgomery, 2005; Lopes & Felício, 2005; Magriço, 2003; Mira, 2001; Santos, 2001; Silva, 1997; Silva, 2005; Silva, Fernandes, & Costa, 2002b; Simões, 1985, 1997a, 1997b, 1999; Simões & Dominginhos, 2001; Sousa, 1997).

To add to this list, there is a fairly good number of concluded doctoral thesis and master dissertations (Brito, 2001; Caetano, 1999; Caldeira, 1998; Castro, 2000; Costa, 2003b; Crespo, 2004; Feio, 1994; Fernandes, 2006; Fernandes, 1999; Ferreira, 2005; Lorga, 2002; Machado, 1999; Magriço, 2000; Martins, 2005; Nunes, 1999; Ramos, 2003; Ramos, 1995; Serra, 1993; Viana, 2006). Examining these studies it is possible to identify the main geographical and industry focus, as well as the main determinants for internationalisation. Appendix 12 presents a more detailed list of these studies revealing the following information: year and type of study, industry and geographical focus, firm size and modes of entry, research methods used, the population/sample size and the response rate. Additionally, the main objectives and conclusions are identified. Almost all the research works were conducted during the 2000s, with a predominance of studies in the manufacturing sector, having no study being carried out in the tourism sector. The geographical focus is diversified, but with a clear bias towards Brazil.

### 7.3 Portuguese overseas investment in the tourism sector

The internationalisation of Portuguese tourism firms started in the late 1990s, at about the same time that the outward investment experienced a boom, and accelerated in recent years. This late entry in international markets might also reflect the fact that tourism enterprises were just then starting to be mature enough to venture overseas, benefiting from their experience and from the relationships established with international companies operating in the domestic market. The small size of the country, which is an important but also mature destination in the international tourism market, and also the increasing competition, might have prompted the desire to reach new markets.

Despite being a significant phenomenon in recent years, the internationalisation of the tourism sector has not been analysed by researchers in the depth that it deserves. There is one study conducted in 1998 by the Portuguese investment agency (ICEP, 1998), focusing



on a few case studies. In 2002 it was held in Lisbon a conference organised by the Portuguese national tourism board on the internationalisation of the tourism sector. At this conference, a paper was presented with some preliminary results of a study on the internationalisation of Portuguese tourism companies (Simões, 2003). This study was being conducted by researchers of several Portuguese academic institutions and was sponsored by *Turismo de Portugal* and the *Gabinete de Estudos e Estratégia*. To our knowledge this study had never been made public.

Both of these studies, focusing on the hotel sector, travel agencies and tour operators, were based on case studies of the main hotel chains and tourism companies. The more recent study was based on six case studies of Portuguese tourism companies and groups. It tried to understand how the internationalisation process unfolds and to identify the challenges that firms face and their internationalisation experiences, in order to draw lessons that could be useful to other companies in the sector, potential candidates for internationalisation, and to their own policy to support the internationalisation of tourism enterprises. Four main points in case studies were considered: an attempt to characterise the company or group; an overview of its internationalisation process; the characterisation of the subsidiaries abroad; the management processes of these units; location; relationships with their environment and relationships with other units of the group; and finally the management processes used by international groups. Since it has not been made public, it is not possible to present any conclusion regarding the results of the study.

Notwithstanding the increasing interest and growth of the Portuguese outward investment in the tourism sector over the years, in the overall context, is still a negligible share in terms of the total FDI stock<sup>1</sup>. This might be attributed to the late entry of Portuguese companies in the international market, at a time when other sectors were already booming. In 1996, hotels and restaurants represented only 0.09 percent of the total FDI stock, while in 2007 it had already reached 0.56 percent. Although the figure is still insignificant, the investment stock has grown at an average annual rate of 50 percent, showing the

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<sup>1</sup> Statistics on outward investment shows cumulative data of several activities, thus being very difficult to know the exact amount of investment per sector. Desegregate data for the tourism sector is only available for accommodation and catering services combined. The Bank of Portugal provides data on investment per non-resident sector but only stock investment, not publishing gross and net investment yearly figures.



dynamism of Portuguese tourism enterprises over the last years in terms of its international entry or expansion.

Table 7.1 – Portuguese FDI stock in the hotel and restaurant sectors, 1996-2007

(in million Euros)

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Brazil				17	26	38	33	47	56	70	115	196
Spain			1	1	1	1	29	27	27	36	29	
PSAC	1	3	3	3	23	24	21	19	8	12	11	22
Angola	1	1										
Mozambique	1	2	2	2	8	8	21	19	8	11	10	6
Cape Verde	1		1	1	15	15						15
Sao Tome and Principe										2	2	1
Others				1	1	2	5	5	6	11	32	40
Total	3	3	4	22	51	64	88	98	97	130	178	258

Source: Bank of Portugal (BPstat – online database)

Another feature of the Portuguese outward investment in these two sectors is the dominance of Portuguese-speaking countries, being specially marked in Brazil (Table 7.1). In late 1990s Brazil began to assume a dominant position, only experiencing a decline in 2002, as a result of the global conjecture, but it picked up shortly. In 2007, this country alone represented 76 percent of the total stock investment. Other important markets include former colonies in Africa, particularly Mozambique and Cape Verde, which were the first countries to receive Portuguese investment, along with Angola. However, investment in Angola had stopped because of civil war and political instability, and did not resume. However, if more recent data was available, it might have shown a different picture, given that recent investments were made in the hotel sector and more projects are underway in this country. In the same way, investment in these sectors resembles the overall picture of Portuguese outward investment, being focused on the aforementioned countries, and also in Spain. Given that there is no record of hotels that are solely owned or controlled by Portuguese in this country, figures might suggest participation in the capital of a local company (no less than 10 percent) and investment in the catering sector.

Since information on outward investment in the tourism sector is scarce, it is not possible to present a profile on the internationalisation process of Portuguese enterprises. It is





however possible to infer some considerations, based on the limited existent literature, the news in the Press and the structure of the Portuguese tourism industry. The sector is fragmented and consists mostly of small and micro enterprises, similarly to what happens in many other European countries (Breda & Costa, 2007; Z Breda, Costa, & Costa, 2004, 2006; Buhalis & Peters, 2005; Costa, 2005). For this reason, globalisation poses a big challenge to these enterprises that must strive for increasing competitiveness. However, some of them have already linkages with the exterior, owing to the inflow of foreign tourists and companies. At the time when internationalisation in the tourism sector has started, a significant share of hotels in Portugal (47.5 percent) was incorporated in international schemes, through franchising agreements, affiliation in chains or consortiums (this being the predominant form of involvement) (ICEP, 1998). The integration in business networks possibly contributed to awakening the interest of Portuguese companies to internationalise their operations and allowed them to gain the necessary know-how to manage subsidiaries overseas. A paradigmatic example is the partnership between Accor and the Amorim group, which lasted for 20 years and resulted in several investments in Cuba and Mozambique.

Despite the fact that the industry is mainly composed of small and micro enterprises, the internationalisation process seems to be dominated by a few players, some of them integrated in big economic groups. It also seems to be concentrated in the hotel sector. However, this is just the tip of the iceberg. According to information collected during the preliminary stage of the fieldwork in Portugal, there are also a significant number of small-scale ventures that do not pass through Portuguese official channels, thus remaining 'unknown'. And given that other tourism sub-sectors are not so capital-intensive, it is understandable why these projects do not reach the Press as well. Nonetheless, it is suggested that some of these small-scale investments are performed by Portuguese residing in the host countries. Although these might constitute a fair amount of the total number of projects abroad, the amount of capital invested is low, not being of surmount importance in the economic point of view, and not influencing much the Bank of Portugal data (which is expressed in million Euros).



The internationalisation of tour operators and travel agencies, given its characteristics of soft services, can be made through other forms that do not require direct operation in external markets, thus being even more difficult to identify. However, the internationalisation of Portuguese tour operators does not seem very vibrant, probably because of the market dominance by major international players and the reduced relevance of Portugal as an outbound country, thus not allowing the acquisition and accumulation of international and market specific competences.

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Indeed, only in recent years, outbound trips made by Portuguese started to be more expressive. The poor information on this phenomenon also reflects the newness of these flows, with data starting to be consistently available only after 2004 (Figure 7.5). Prior to that, there is only information on the percentage of outbound trips out of the total trips made by the Portuguese. On average, between 2000 and 2003, 24.5 percent of the Portuguese that spent holidays outside their usual residence travelled abroad (Turismo de Portugal, 2004). In 2004 there was a methodological change in data collection, thus not being possible to establish comparisons with previous years. Between 2004 and 2006, although experiencing a decline in absolute terms, the rate of outbound trips rose from 19 percent to 25 percent of the total trips made by the Portuguese (Turismo de Portugal, 2005, 2006, 2007). In 2007 outbound trips reached the 21 million mark, however out of these numbers, only 21 percent were tourists (Turismo de Portugal, 2008), the remaining being essentially one-day cross-border visitors to Spain.

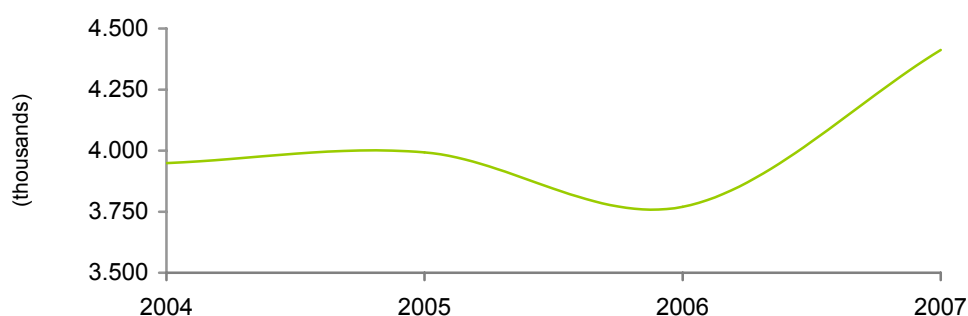
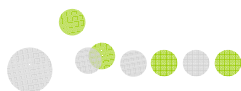


Figure 7.5 – Evolution of Portuguese outbound tourism, 2004-2007

Source: Turismo de Portugal (2005; 2006; 2007; 2008)



Information on the destinations chosen by Portuguese tourists suggest that the main visited countries in 2006 were those located in Western Europe, with Spain leading the way, with 40.8 percent of total trips (Turismo de Portugal, 2007). The only non-European country, as a major destination, was Brazil, absorbing nearly 13 percent of total tourists travelling abroad. Although retaining the second position over the years, its share has declined, having already reached 22 percent in 2004 (Turismo de Portugal, 2005). Other important markets include France, Italy, Germany and United Kingdom. These are estimates based on a survey to Portuguese population; therefore, the absolute numbers on the flows is not available.

In order to get data from countries other than those presented in the study, several yearbooks of UNWTO were used (UNWTO, several years). Given that data on each country is provided by the respective national tourism organisation, distinct methodologies are used to collect data<sup>2</sup>. Despite its limitations, and the risk of double-counting a tourist that visits more than one country in a single trip, this information is useful to have an idea on the flows of Portuguese tourists. Data shows that other important non-European destinations in America include United States, Dominican Republic and Cuba. Cape Verde, Tunisia and Morocco are the most important destinations in Africa, followed by South Africa and other Portuguese-speaking countries, such as Angola and Mozambique. Central and Eastern Europe, despite not being yet very significant as a destination for Portuguese tourists, presented high annual growth rates in the period 1996-2005.

Data gathered from all the entities contacted during fieldwork (Appendix 5), revealed that Portuguese investment in the area of tour operators and travel agencies mainly targets Spain and Brazil, existing also investment in the United Kingdom, Italy, France, Germany, the Netherlands, the United States and Angola. Representations of the main Portuguese airlines (TAP, PGA and SATA) were also found in Canada, the United Kingdom, the United States, Brazil and Spain. This might suggest that there are three main motivations for investment: to seize tourist flows to Portugal, especially those coming from important

<sup>2</sup> Arrivals of non-resident tourists, by nationality or country of residence:

- » at national borders;
- » in hotels and similar establishments;
- » in all types of accommodation establishments.

Arrivals of non-resident visitors at national borders, by nationality or country of residence.



sources (as it is the case of Spain, the United Kingdom, Germany, France, the Netherlands and Italy); to exploit ethnic niche markets (as it is the case of Angola) and Portuguese emigrant communities (as it is the case of the United States and France); and to do the incoming of Portuguese tourists in important destinations for this market (almost all countries where there is Portuguese investment in these sectors).

In terms of players, it is evident the dominance of big companies, such as Agência Abreu, the largest travel agency in Portugal, with investments in Brazil, Spain, United States and Angola. Other important players include companies integrated in economic groups with business in several areas of the tourism sector, as it is the case of Top Atlântico and Lusitânia Voyages, integrated in the Espírito Santo group, and Intervisa, Sonhando, Atlantic Holidays and King Holidays, which belong to the Pestana group. These groups also possess international operations in the hotel sector, which is notably the sector that entails greater involvement in the host country. Because its significance, it will be discussed in more detail in the following section.

#### 7.4 Portuguese firms with international operations in the hotel sector

The hotel sector is configured as the main mover and protagonist of the internationalisation of Portuguese tourism firms, in a process starting in the late 1990s, and accelerating in recent years in response to the phenomena of horizontal and vertical integration that have been taking place in world tourism.

Results from an extensive search conducted in secondary sources and contacts established with several entities that, to some extent, monitor the Portuguese investment abroad (as detailed in chapter 5), suggest that the number of accommodation establishments resulting from Portuguese outward investment is over 100. However, part of these establishments consist of small individual units, most probably owned by private entrepreneurs that live in those countries, thus not possessing a strategic orientation, being just an isolated operation to seize an opportunity of making some kind of business.

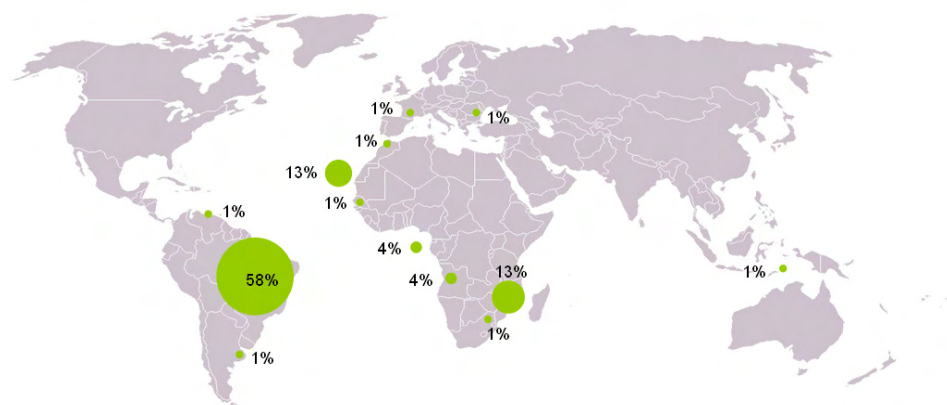
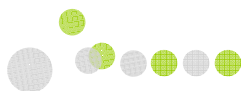


Figure 7.6 – Location of Portuguese accommodation establishments abroad

Source: own construction

Figure 7.6 illustrates the location of Portuguese accommodation establishments overseas. It is visible the preponderance of South America and Africa. The information revealed that that more than half (58 percent) of the hotels are located in Brazil, the rest showing a higher preference for Mozambique and Cape Verde (13 percent each), which is in accordance with the statistics on the position of foreign direct investment, as illustrated in Table 7.1. There are also establishments in countries such as Venezuela, Argentina, South Africa, Angola, Guinea Bissau, Sao Tome and Principe, Romania, East Timor, France (minority equity investment) and Morocco.

The dominance of Brazil is explained by the fact that the major Portuguese tourism groups have a presence in this country, and there are also a large number of small investors, mainly in the north-eastern region. In fact, this region attracts 80.7 percent of hotels with Portuguese capital (Figure 7.7); and alone the states of Ceará, Rio Grande do Norte and Bahia concentrate 62 percent of these establishments. The smaller geographical distance between this Brazilian region and Portugal and its great tourist potential, particularly in terms of sun and sea tourism, create a favourable environment conducive to the Portuguese investment.

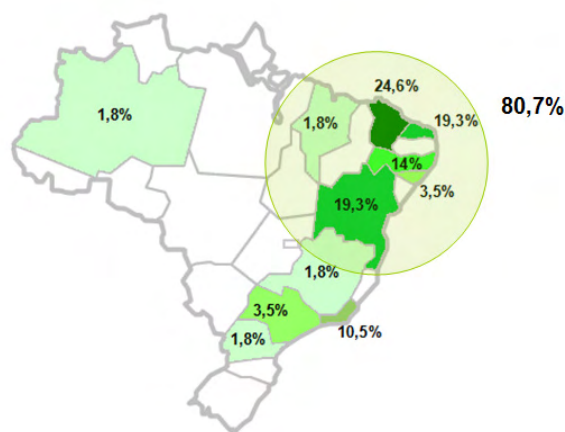
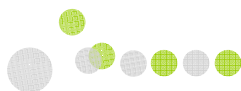


Figure 7.7 – Location of Portuguese accommodation establishments in Brazil

Source: own construction

As mentioned in chapter 5, after a thorough screening process of the collected data, which indicated 64 Portuguese companies already involved in international operations in the hotel sector, the initial list ended up being reduced to 23. The list of the companies targeted in this study is presented in Table 7.2, which also shows the number of hotels and rooms (abroad and in Portugal) and the number of countries where they have investments. Some considerations will be presented based on the internationalisation process of these companies.

Although the aim of this section is not making a detailed analysis of each company, it should be noted that the most internationalised company is part of the Pestana group, having 17 hotels in 7 countries (Argentina, Brazil, Cape Verde, Mozambique, Sao Tome and Principe, South Africa and Venezuela). If we consider Pestana Pousadas, a participated company of the same group, another establishment located in Brazil could be added to the list. The group is planning its expansion in Europe, with the opening of a hotel in London in 2010 and another one in Berlin in 2011. It also aims to extend its presence in several other European capitals, such as Madrid, Amsterdam and Paris (Antunes, 2008). Apart from being the first Portuguese group to invest in Europe (with exception of minority equity investments), it intends to expand and consolidate its presence in Latin America, having also the United States (Miami) in its internationalisation strategy. Being a vertically integrated group, with investments in a charter airline, tour operators, travel agencies, rent-



a-car and casinos, it enables to supply a large array of services in the whole tourism value chain, and combine them in its international operations.

Table 7.2 – Portuguese companies with international operations in the hotel sector, 2007

companies	countries	abroad		Portugal	
		hotels	rooms	hotels	rooms
Pestana Turismo	7	17	2,303	40	3,769
Oásis Atlântico	2	7	1,055	—	—
Dorisol	1	7	698	12	480
Teixeira Duarte	3	6	988	11	647
Visabeira Turismo	1	4	200	7	244
Vila Galé	1	3	971	18	4,500
Ecoturismo	1	2	74	—	—
Lena Hotéis	1	2	101	9	461
Porto Bay	1	2	127	8	1,099
Afonso V	1	1	56	3	126
Amorim Turismo	1	1	165	3	472
Comporto	1	1	49	—	—
Corais de Maragogi	1	1	50	—	—
Enotel	1	1	348	4	300
Espírito Santo Turismo	1	1	293	13	2,504
Evidência Hotéis	1	1	8	3	177
Ferpinta Turismo	1	1	50	3	306
JF Consultores	1	1	108	—	—
Pestana Pousadas	1	1	74	44	1,189
Sanilisa	1	1	82	—	—
Turvela	1	1	6	—	—
Vendigest	1	1	18	—	—
Vip Hotels	1	1	196	15	2,141

Source: own construction

This group is thus a paradigmatic example of the Portuguese internationalisation in the hotel sector, standing out from all the others, in terms of its international and domestic dimension (also taking into account the Pestana Pousadas). The second largest hotel chain in Portugal is Vila Galé, however in terms of its international expression it falls behind others, having just three hotels in Brazil, but with one project underway and plans to initiate soon the management of two hotels, also in Brazil. The Dorisol hotel chain concentrates its investment in Brazil as well, owing and operating under management contracts seven hotels. Oásis Atlântico is an interesting case, having no investment in Portugal, but exploring four hotels in Cape Verde and three in Brazil, with projects underway in both countries. There are other examples of companies that first started their



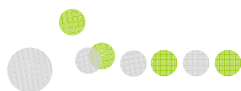
hotel operations abroad, however these are not hotel chains. Their core business is another activity, being the hotel business just a secondary one. Vip Hotels, Porto Bay and Afonso V are also hotel chains, but with a low international participation.

There are a few cases of companies integrated in economic groups that diversified their economic activities into the hotel business. That is the case of Teixeira Duarte, Visabeira, Lena, Amorim<sup>3</sup>, Espírito Santo, Ferpinta and Evidência groups. The profile of these groups is very diversified, their main activities ranging from banking and telecommunications to construction and manufacturing. Nonetheless, some of these groups own hotel chains that are important players in the domestic market, having a considerable number of hotels and/or rooms. Apart from Teixeira Duarte, which invested in six hotels in Sao Tome and Principe, Mozambique and Angola, all the others are just present in one country (Mozambique, Brazil, Mozambique, Brazil, Angola and Morocco, respectively). Contrasting with hotel-specific companies, it is visible lesser intention to expand their international operations, especially to countries other than the first international market. The rest of the accommodation establishments identified are small-scale projects of companies engaging in the hotel sector for the first time, having other activities in Portugal, but starting their activities in the sector.

Apart from companies already with international operations, there have been identified 23 firms that showed interest in internationalising their operations in the hotel sector. Of these, 12 had already investment projects in progress, thus constituting also focus of this study. Overall, it is also observable the dominance of Brazil as the preferred host country for international entry: eight out of twelve firms that are about to start their international operations have chosen Brazil to do so. Other countries identified as possible recipients of Portuguese investment are Russia, Cape Verde, Czech Republic, Hungary, Angola, Guinea Bissau, Macedonia, Morocco, Spain, Argentina and Venezuela. If all these projects go through, these companies will help to diversify the destination of outward tourism FDI.

<sup>3</sup> Although Amorim Turismo nowadays is an independent company, originally it was integrated in the Amorim group, benefiting from its dimension and vast international experience.





## 7.5 Results of the study at the firm-level

### 7.5.1 General characterisation of the firms

The results presented in this section refer to the 14 companies interviewed, and show that 78.5 percent of them have their headquarters in the Lisbon area, the remaining being located in the northern and central regions of the country. The majority was founded either in the 1990s or in the 2000s (35.7 and 28.6 percent respectively), while the rest came into being in the 1980s, but especially in the 1970s, existing one case that was founded in early 1920s.

Table 7.3 – Companies' founding year and start of hotel operations

company	founding year	hotel operations
company A*	1979	1979
company B	2003	2003
company C*	2003	2007
company D	1997	1997
company E*	1991	2004
company F*	1972	1980
company G	1998	1995
company H	2000	2000
company I	1979	2003
company J	1921	1989
company L	1986	1986
company M*	1995	1995
company N	1991	1991
company O	2001	1993

\* companies starting their internationalisation process

Source: own construction

Considering the start of operations in the hotel sector, the same pattern is observed, with 61.4 percent of the companies starting to engage in hotel operations in the 1990s and 2000s. However, to make a more detailed analysis, case by case data are presented in Table 7.3. It is possible to observe that most of them started their hotel operations in the same year they were founded, however there are cases in which that occurred several years later or, in two cases, even before the company was formed. In one case, the company is part of a business group, and the hotel operation was under another dependency, being the tourism company formed only several years later (company O). In the other case, the hotel business was



started in an informal basis, and only three years later it was decided to form a company and engage in the hotel business in a serious way (company G).

These companies are 100 percent private and Portuguese-owned and have as their main activity the hotel business, except two, which are operating in the construction sector and in the travel agency businesses. Two other companies, besides the hotel sector, have as main activity gaming and restaurant businesses. Six companies have secondary activities, showing a big diversity, with businesses ranging from manufacturing, agro-industry, real state and construction, to tourism-related activities such as golf, travel agency and gaming.

All companies suffered increases in their corporate stock over the years. However, only eight of them (65.6 percent) provided both amounts, that is, the initial and the current value. The value of the corporate stock at the time firms were founded was, on average, around 1 million Euros, being nowadays ten-fold, thus showing interesting dynamics and the firms' desire to expand and grow. When taking into account the value of three other companies that only provided the actual corporate stock, this figure more than double, reaching 26 million Euros. However, some caution is needed when dealing with aggregate figures because there are enterprises of all sizes, with corporate stock values ranging from 50 thousand Euros to 210 million Euros.

Firm size can be measured according to several indicators, such as sales volume (Agarwal & Ramaswami, 1992), total assets (Dubin, 1975; Kogut & Singh, 1988; Yu & Kiyohiko, 1988), equity and deposits (Cho, 1985), employee size (Norburn & Birley, 1988), number of rooms operated (in the case of the hotel sector) (Johnson & Vanetti, 2005) and domestic market sales (Kimura, 1989). The researcher decided to use annual turnover and the total number of employees (in Portugal and abroad) as an indicator of firm size.

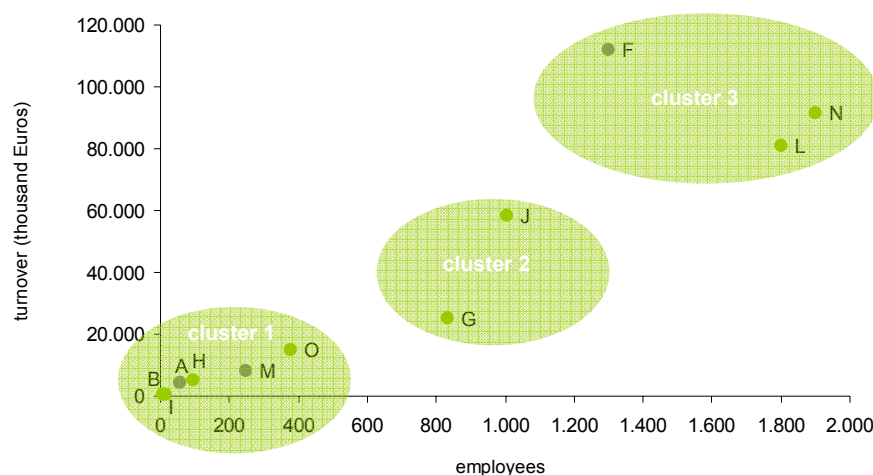
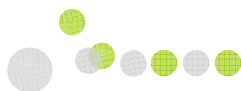


Figure 7.8 – Annual turnover and number of employees

● companies already internationalised    ● companies starting their internationalisation process

Source: own construction

Taking into account these two variables, a cluster analysis was performed and it is possible to identify three different clusters<sup>4</sup>, which are displayed in Figure 7.8. Three companies (C, D and E) had to be taken out from the analysis given that they did not provide values for the turnover variable (one company did not reply and two others were starting business and had no data on annual turnover yet). The first cluster mostly aggregates small and medium-sized companies, according to the Recommendation 2003/361/EC of the European Commission regarding SME definition, especially regarding turnover. However, some of the companies present a higher total number of employees, which could place them in the category of big enterprises. It is interesting to note that a big share of the total of the firms, including two of the companies that were starting their international operations, fall under this cluster.

Companies that belong to clusters 2 and 3 are bigger-sized, presenting high figures in both the number of employees and turnover. Overall, there is a high diversity in the size of companies, ranging from micro and small enterprises to big hotel chains with a large number of employees and turnover. The majority however falls in the categories of medium- and big-sized enterprises. In 2006, the average number of total employees was 599.1 and total turnover of was 36.4 million Euros. Of these, 86.7 percent was generated

<sup>4</sup> It was used the hierarchical clustering method with standardised variables (z scores) and squared Euclidian distance.



by tourism-related activities and 33.6 percent corresponded to activities generated in other countries. If taking into account only the companies already with international operations in the hotel sector, the share of the turnover regarding the activities conducted abroad rises to 42.4 percent, which is not surprising.

Table 7.4 – Profile of internationalised companies

	Portugal		abroad
	prior	actual	
hotels	3.63 <sup>a)</sup>	4.33 <sup>b)</sup>	2.78 <sup>b)</sup>
rooms	705.9 <sup>a)</sup>	941.1 <sup>b)</sup>	427.6 <sup>b)</sup>
beds	1,394.0 <sup>a)</sup>	1,811.7 <sup>b)</sup>	857.1 <sup>b)</sup>
employees	308.4 <sup>a)</sup>	386.7 <sup>b)</sup>	328.9 <sup>b)</sup>
employees with higher education	21.8% <sup>c)</sup>	21.4% <sup>d)</sup>	5.29% <sup>e)</sup>
annual turnover	1,180,000 <sup>c)</sup>	41,337,500 <sup>f)</sup>	7,834,000 <sup>e)</sup>

<sup>a)</sup> valid=8  
missing=1

<sup>b)</sup> valid=9  
missing=0

<sup>c)</sup> valid=4  
missing=5

<sup>d)</sup> valid=5  
missing=4

<sup>e)</sup> valid=7  
missing=2

<sup>f)</sup> valid=6  
missing=3

Source: own construction

Table 7.4 makes an overview of the profile of companies before engaging in international operations in the hotel sector and the present situation, both in Portugal and abroad. On average, companies possessed 3.63 hotels before investing in other countries, and it is visible that besides investing abroad, companies did also expand their business in Portugal, having now on average 4.33 hotels. Similarly, the number of rooms, beds and employees also increased. It is interesting to note that despite the average number of hotels and rooms overseas being lower, the average number of employees is almost the same as the one in Portugal. This suggests lower costs with human resources in the host countries and/or higher quality standards of hotels, thus demanding a higher ratio of employee per room. The percentage of employees with higher education is very low in hotels located overseas (5.29 percent), whereas in Portugal, despite not being high, it is four times bigger, reaching 21 percent. As far as annual turnover is concerned, international hotel operations already generate one fifth of the total amount achieved in Portugal.

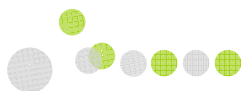


Table 7.5 – Profile of future internationalised companies and all firms

	companies starting international operations	all companies
hotels	2.0 <sup>a)</sup>	3.5 <sup>d)</sup>
rooms	231.4 <sup>a)</sup>	687.6 <sup>d)</sup>
beds	552.0 <sup>a)</sup>	1,361.8 <sup>d)</sup>
employees	389.4 <sup>a)</sup>	599.1 <sup>d)</sup>
employees with higher education	10.5% <sup>b)</sup>	16.6% <sup>e)</sup>
annual turnover	6,366,667 <sup>c)</sup>	29,710,936 <sup>e)</sup>

<sup>a)</sup> valid=5  
missing=0

<sup>b)</sup> valid=4  
missing=1

<sup>c)</sup> valid=3  
missing=2

<sup>d)</sup> valid=14  
missing=0

<sup>e)</sup> valid=9  
missing=5

Source: own construction

Companies that are about to engage in international operations present lower figures in all the analysed indicators, also revealing that the dimension of their hotel business is about half of the companies already internationalised, at the time they engaged in international operations for the first time (Table 7.5). This suggest that Portuguese companies are venturing sooner into the international market, not waiting until reaching a certain dimension in the domestic market before engaging in another market.

Similarly to the study conducted in Goa, respondents were asked about the objectives of the company. The response options presented in the interview-questionnaire were the same, and were drawn from the literature (European Commission, 2004). Results show that 42.9 percent of the hotels stated that their main objective is to grow (Figure 7.9). Taking into account the top three priorities, the desire to grow is expressed by 78.6 percent of the hoteliers, who equally aim to improve the quality of service in order to satisfy the needs and expectations of their guests. To innovate is the objective of 64.3 percent of the firms, although this being mainly a second priority. The consolidation of the business was mentioned only as a third priority by 21.4 percent of the firms, which do not see survival as a relevant objective.



According to Hassid (2003), several investigations on the factors inducing firms to start overseas operations suggest that the decision is basically triggered by the firm's desire to grow, being not possible to achieve expansion in the home market, the firm seeks growth by identifying opportunities in other markets.

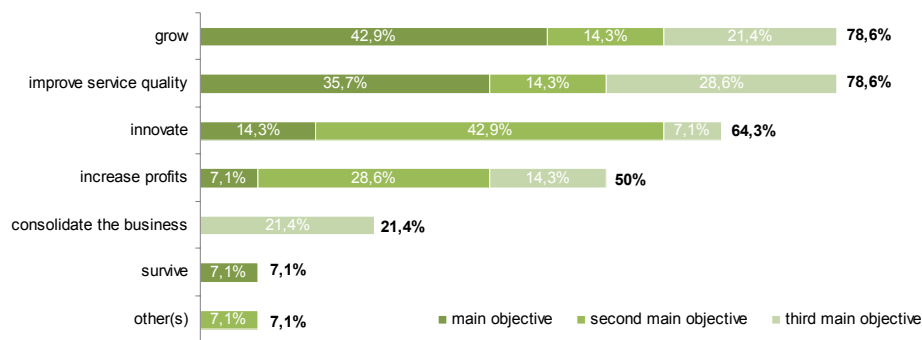


Figure 7.9 – Main objectives of the companies

Source: own construction

There are slight differences from the results of hotel companies in Goa, revealing that while these companies primarily aim to improve the service quality (85 percent), 78.6 percent of Portuguese companies desire to grow and also to improve service quality. Portuguese companies are more interested in innovating than increasing profits, also differing a bit from the Goan ones. Nevertheless no statistically significant differences were found at the 0.05 level for any of the objectives (Table 7.6).

Table 7.6 – The Mann-Whitney test statistics (objectives)

	grow	improve service quality	innovate	increase profits	consolidate the business	survive	other(s)
p-value	0.584	0.840	0.784	0.353	0.461	0.682	0.091

Source: own construction

Almost 65 percent of the firms are integrated in business groups, contributing, on average, to 46.2 percent of the groups' total annual turnover. Tourism activities have a significant impact on the groups' financial performance, representing on average 54.6 percent of their turnover. There are however two companies that stated that within the group the share of



tourism activities is insignificant; and, on the other hand, there are companies whose groups have just tourism related businesses.

Regarding the types of tourism business activities conducted both by the companies and the respective groups, it is visible that half of them have tourism real state activities and 42.9 percent have spas (Figure 7.10). These figures are inflated by the activities of the groups, given that, for the companies only, these activities represent 35.7 percent each. The prominence of real state among the companies' activities suggests a complementary position as a tool to generate financial resources and/or support the development of tourism complexes. The spa industry is becoming a fixed component of the hotel trade, with many hotels having that service available to their costumers, not only in resort-type establishments, but also in city hotels. Given that is an important component of the hotels' services, many companies/groups decided to engage in that activity instead of outsourcing it. Other activities include golf, travel agencies and tour operators, casinos, restaurants, time-sharing, rent-a-car and airlines. It should be noted that all groups, except one, have several tourism-related activities in addition to the hotel business. Nonetheless, only three are vertically integrated, although existing several cases of diagonal integration.

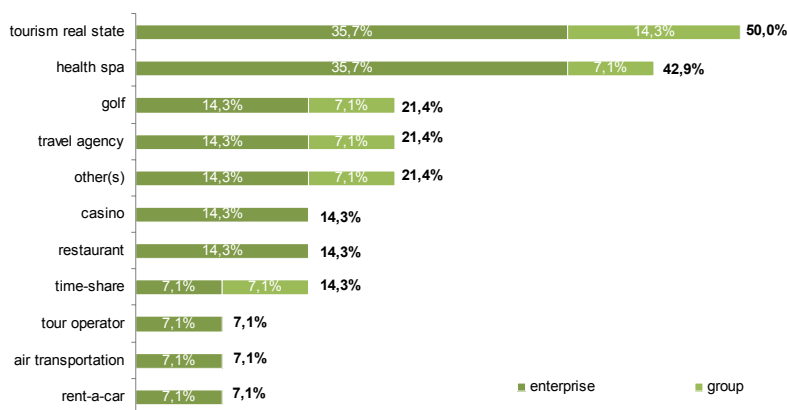


Figure 7.10 – Tourism business activities of the company and group

Source: own construction

When looking at the size of the companies and relate it with ownership, it is visible that these two variables are closely related. Independent firms tend to be small, while big-sized firms are usually integrated in a business group. This is in accordance with the study of



Constand and Pace (1998), whose results indicate that there are differences in corporate governance structure between firms affiliated with groups and non-affiliated independent firms. There is only one exception of an independent firm belonging to cluster 3, however it is a long established hotel chain, already with a significant dimension, both domestically and at the international level.

## 7.5.2 Internationalisation process and business relationships

### 7.5.2.1 International experience and degree of internationalisation

Nine out of the twelve firms are integrated in business groups. All groups but one (company A's business group) have already international experience. The internationalisation of the group of company H took place with the company's internationalisation, not having foreign subsidiaries before. Therefore, the information regarding this firm's international entry will be presented further ahead.

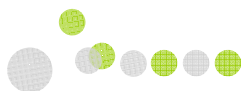
Table 7.7 – International experience of the business groups

	year of foreign market entry	first country	other countries	activities
company C	2006	Brazil	Panama, Hungary, Czech Republic, Macedonia	renewable energies, real state
company E	2005	Angola	Brazil, Argentina, Morocco, Latin America	all sectors
company F	1999	Mozambique	USA, Brazil, UK, Denmark, Germany	industry
company G	1995	Cape Verde	Brazil	real state, rent-a-car
company J	1972	Angola	Brazil, Venezuela, Algeria, Sao Tome and Principe, Mozambique, Morocco, Ukraine	almost all
company N	1976	Brazil	several countries in America, Europe, Africa, and EAU	agro-industry, real state, construction
company O	1990	Mozambique	several countries	industry

Source: own construction

Overall, the internationalisation of these groups goes as far as 1972 or as close as 2005 (Table 7.7). Hence it suggests a wide range of internationalisation experiences, which is observable in the number of countries in which they operate, as well as in the economic sectors they engaged in. Many of these groups have foreign activities in a wide range of sectors, with some including tourism-related activities other than hotel operations. It is the





case of the groups which companies G and N belong to. The first case has a rent-a-car company in Cape Verde and the other case possesses several travel agencies in France (that is where the group first internationalised in the tourism sector in 1993), but also in Italy, Spain, England, Brazil and Angola. Overall, Portuguese-speaking countries were favoured for the first international experience of all groups, especially former African colonies. Nonetheless, the set of countries where they are operating today is very wide, ranging from Eastern European countries and Latin America to the Middle East.

Table 7.8 – Companies' international experience in the tourism sector

	year	activity	years			first country	other countries
			a)	b)	c)		
company A	1990	hotel	11	11	<sup>1)</sup>	Cape Verde and Guinea Bissau	—
company B	2004	hotel	1	1	3	Brazil	—
company D	1997	hotel	<sup>2)</sup>	<sup>2)</sup>	<sup>2)</sup>	Cuba	Mozambique
company F	1999	hotel and casino	19	27	<sup>1)</sup>	Mozambique	—
company G	1995	hotel	0	-3 <sup>3)</sup>	12	Cape Verde	Brazil
company H	2004	hotel	4	4	3	Morocco	—
company I	2003	hotel	0	24	4	Brazil	—
company J	1998	hotel	9	77	9	Mozambique	Sao Tome and Principe and Angola
company L	2001	hotel	5	5	6	Brazil	—
company N	2006	hotel	15	15	1	Brazil	—
company O	2002	restaurant	10	1 <sup>4)</sup>	5	Mozambique	—

a) number of years of experience in hotel operations in the domestic market prior to foreign entry.

b) numbers of years since the foundation of the company until the start of hotel operations in foreign markets.

c) numbers of years since the start of hotel operations in foreign markets.

<sup>1)</sup> companies that have initiated their international operations but have disinvested, but are now starting their internationalisation process again.

<sup>2)</sup> firm that used to be integrated in a group but now is independent and with a different structure and organisation, thus the year of foundation and the current hotel operations are more recent than its foreign entry.

<sup>3)</sup> the hotel business was started in an informal basis, and only three years later it was decided to form a company and engage in the hotel business in a serious way.

<sup>4)</sup> company that is part of a business group, and the hotel operation was under another dependency, being the tourism company formed only several years later.

Source: own construction



Of those internationalised companies, almost all of them have started their internationalisation processes in the hotel sector, apart from two (F and O), which have chosen the restaurant and travel agency businesses to initiate their international operations in the tourism sector (Table 7.8). Generally speaking, firms have foreign operations in just one market, with the exception of companies G and J, which are present in one and two more countries, respectively.

There are two companies (A and F) that have initiated their international operations in early and late 1990s, respectively, but have disinvested, being in the meanwhile initiating again their internationalisation process in the hotel sector. Table 7.5 also reveals that there are companies that internationalised as soon as they began operating in the hotel business, and others that took more than 10 years to engage in international operations abroad. When looking at the difference between the founding year and the year of the first foreign market entry, it is noticeable that, again, some firms engaged in international operations right from its inception, or taking just a few years, while in other cases it required an extremely long period of time. It is the case of company F, which took as long as 27 years to approach other markets. Some caution is needed while analysing data from company J. Although the period of time since its foundation and its internationalisation in the tourism sector is rather big, it is necessary to mention that it is a non tourism-specific company, which is already internationalised in other areas of business.

Firm's international experience can be measured by the percentage of total earnings attributed to foreign operations, perceived degree of multinationality, and perceived readiness to handle international business (Agarwal & Ramaswami, 1992). According to Pla-Barber and Darder (2002), it can be also calculated from the difference between the year of entry and the year of the firm's first international activity. At the time that the international operations under analysis report (end of 2007), the international experience of the firms (only taking into account the ones that were operating hotels abroad), measured by this indicator, ranged from one year to 12 years. On average firms have 5 years of international experience.



Alternatively, an index that measures the degree of internationalisation can be calculated. Since there is no consensus in the literature on how to measure the degree of internationalisation of hotel firms (Beattie, 1993; Kundu, 1994; Slattery, 1996), the researcher decided to use the different approaches adopted by Ramón Rodríguez (2002) (Table 7.9).

Table 7.9 – Degree of internationalisation of hotel firms

	DI1	DI2	DI3	DI4	DI5	DI6	DI7	DI8	DI9
company B	1	1	50	1.00	1.00	*	*	1.00	1.00
company D	1	1	165	0.33	0.26	0.50	0.35	0.33	0.26
company G	2	7	1,055	1.00	1.00	*	*	2.00	2.00
company N	1	1	293	0.08	0.10	0.08	0.12	0.08	0.10
company H	1	1	8	0.33	0.04	0.50	0.05	0.33	0.04
company I	1	1	6	1.00	1.00	*	*	1.00	1.00
company J	3	6	988	0.55	0.60	1.20	1.53	1.64	1.81
company L	1	3	971	0.17	0.18	0.20	0.22	0.17	0.18
company O	1	4	200	0.57	0.45	1.33	0.82	0.57	0.45
average	1.3	2.8	415.1	0.56	0.51	0.42 <sup>a</sup>	0.34 <sup>a</sup>	0.79	0.76

**DI1** | number of countries where the company operates in the hotel sector

**DI2** | number of hotels abroad

**DI3** | number of rooms abroad

**DI4** | number of hotels abroad proportionate to the firm's total number of hotels

**DI5** | number of rooms abroad proportionate to the firm's total number of rooms

**DI6** | number of hotels abroad proportionate to the firm's number of hotels in Portugal

**DI7** | number of rooms abroad proportionate to the firm's number of hotels in Portugal

**DI8** | weighted number of hotels abroad proportionate to the firm's total number of hotels

$NC \times \frac{NHA}{TNH}$ , where NC is number of countries; NHA is number of hotels abroad; and TNH is total number of hotels.

**DI9** | weighted number of rooms abroad proportionate to the firm's total number of rooms

$NC \times \frac{NRA}{TNR}$ , where NC is number of countries; NRA is number of rooms abroad; and TNR is total number of rooms.

\* Given that the companies do not have hotels in Portugal, it was not possible to calculate the indicator.

<sup>a</sup> N = 6

Source: own construction

The number of countries where the companies operate is rather low, as the majority of the firms is established in just one market, as mentioned before. The same happens with the number of hotels, having on average 2.8 foreign subsidiaries, representing about 415 rooms overseas. Regarding this indicator, it is possible to observe that there is a big gap between firms, with company I having just 6 rooms and company G being responsible for 1,055. Other dimensions analysed were the number of hotels and rooms abroad



proportionate to the firm's total number, which are on average 0.56 and 0.51, respectively. This figure is influenced by the fact that three companies do not possess hotel properties in Portugal, thus being possible to find values as high as 1.0 and as low as 0.08. The number of hotels/rooms abroad proportionate to the ones owned in Portugal was not possible to calculate for some of the companies for the fact mentioned before. The index pertaining the weighed number of hotels/rooms, which is calculated by dividing the number of hotels/rooms abroad by the total number of hotels/rooms controlled by the chain multiplied by the number of countries where the company operates, is generally higher for companies operating in more than one country, which are also the ones that present higher numbers in other indicators.

### 7.5.2.2 Internationalisation determinants

The use of the survey technique was useful to obtain information on the determinant factors. An important advantage of this technique is that it provides direct measures, obtained by evaluating managerial perceptions, on several factors affecting the internationalisation decision. Agarwal and Ramaswami's (1992) study showed that these factors may not be constant across firms for a given host country, might differing due to variations in managers' past experiences in that country (and other countries), level of knowledge about that country, individual biases, among others.

To analyse the overall perception of what are the main internationalisation determinants, a five-point itemised rating scale was used to evaluate several factors identified in the literature. This scale ranged from not important at all (1) to very important (5). Results unveil that, in general, the main factors that weigh in the decision to invest outside the country (Table 7.10) relate with (a) internal factors, including prior market knowledge (4.29), the competences of the company (3.50) and the desire to grow (3.36); with (b) relational aspects, mainly following the clients (3.29); and with (c) external reasons related to the home market, specifically with its small size (3.86) and the external market, particularly with its potential as a tourist destination (4.57) and cultural and linguistic proximity (3.93). Indeed, as can be seen in Figure 7.6, Portuguese investment is mainly directed to countries with some linguistic and cultural proximity, including Portuguese-speaking countries in Africa and Latin America, where Brazil stands out widely.

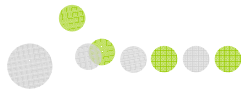


Table 7.10 – Determinants of internationalisation of firms in the hotel sector

		mean rank	std. deviation	
firm-specific	market knowledge	4.29	0.825	
	competences/capacities	3.50	1.345	
	need to grow	3.36	0.497	
	personal/affective reasons	3.00	1.301	
	risk diversification	2.79	1.122	
	scale economies	2.79	0.975	
	cost minimisation	2.36	1.499	
relational	follow clients	3.29	1.383	
	insertion in a group with international experience	2.64	1.393	
	response to competitors	2.43	1.089	
	approach by other companies	2.36	1.151	
country-specific	domestic market	limitations or insufficient dimension of home market	3.86	0.949
		decline in the domestic market	2.21	1.251
		governmental incentives	1.43	0.938
	external market	tourist destination potential	4.57	0.852
		cultural and linguistic proximity	3.93	1.072
		business destination potential	3.71	1.069
		market size	3.57	1.342
		original product	3.29	1.437
		external market more profitable	3.07	1.328
		availability and cost of labour	2.50	1.557
		access to competencies/resources	2.43	1.697

Note: A five-point itemised rating scale was used, ranging from not important at all (1) to very important (5).

Source: own construction

Despite the common language being an important factor, the main reasons for the investment in Brazil is the potential of the country as a tourist destination. Another interesting fact is that, despite the importance given to cultural and linguistic proximity, companies that invested in Brazil mentioned problems in understanding local business culture. The interviewees seemed to agree that business practices in Brazil are quite distinct. (“in Brazil, everything is different”), along with references to problems generated by red tape and the economic structures still trying to adapt to the end of hyper-inflation. This suggests that psychic distance may influence the location choice, but it is no guarantee of problem-free investments. In fact, proximity (geographic and/or cultural) may induce companies into overlooking the differences between host and home countries (O'Grady & Lane, 1996).



It is interesting to note that, overall, the factor related to being approached by other companies showed a relatively low score (2.36), nonetheless when inquired about the determinants of each of the hotels, many respondents stated that they invested because they were invited by other companies, or local governmental entities, to invest in the destination. This shows that, despite not being perceived as a motive to invest, in fact, in many cases the internationalisation process is triggered by other companies, showing that business relationships are important.

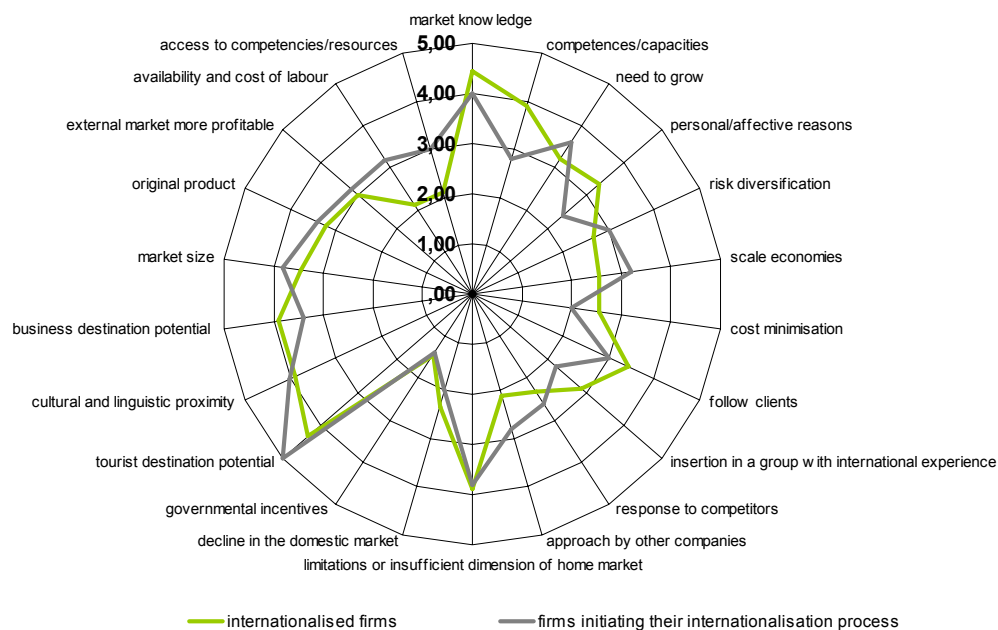


Figure 7.11 – Determinants of internationalisation by category of the firm

Source: own construction

Market potential, mainly as tourist but also a business destination, and size are by far the most significant factors mentioned by both categories of companies, showing the importance of location advantages. Limitations on the dimension of the domestic market is also a significant determinant. Given that for many companies one of their main goals is to grow, this being also a significant factor, it is understandable that this need of growth associated with the limitations of the national market, propels their internationalisation process. Ownership advantages are important mainly in the market knowledge and competences, especially for internationalised companies, which is not surprising; whereas internationalisation advantages are not particularly relevant. Overall, relational factors are not



considered as very relevant, as mentioned before, however clients are regarded as important for internationalised companies, showing the need to follow the trends of Portuguese tourists in their destination selection.

### 7.5.2.3 Internationalisation barriers

Generally speaking, the main difficulties faced by companies in the process of internationalisation (Figure 7.12) relate to the conditions of foreign markets, particularly bureaucracy (50.0 percent), the socio-political situation (49.9 percent), the fiscal system (42.8 percent), cultural differences (42.7 percent), corruption (35.7 percent) and lack of qualified human resources (35.6 percent). Insufficient investment support schemes (both at the destination country and in the domestic market) were mentioned by 42.9 percent of the respondents. Regarding the conditions of the company, which are not so significant as the external factors, the main obstacles are related to its size (28.5 percent), the lack of international experience (28.5 percent) and limited market knowledge (28.4 percent).

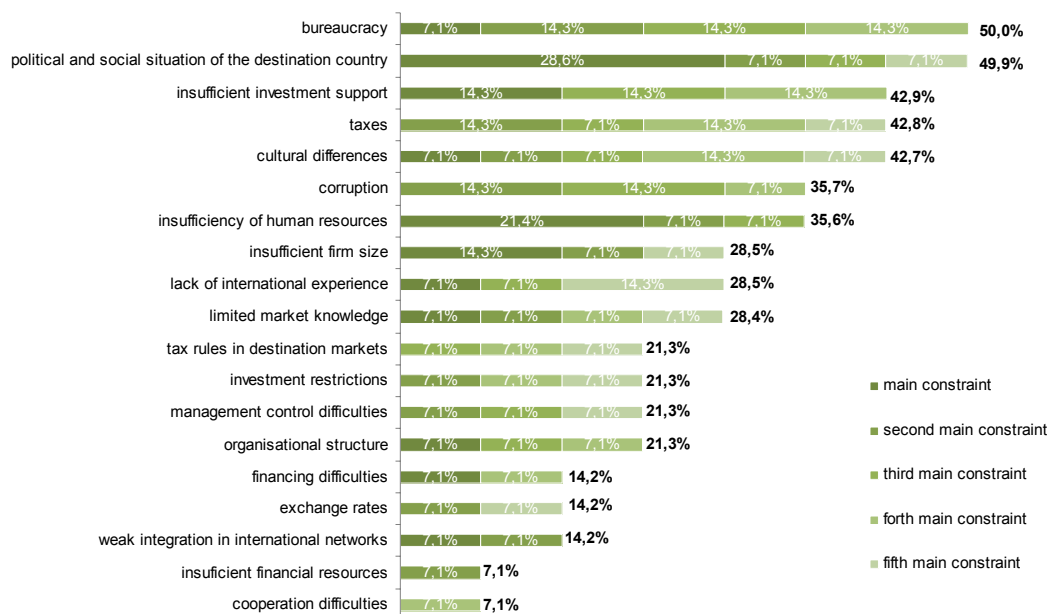


Figure 7.12 – Main difficulties felt during the internationalisation process

Source: own construction

Looking at the external factors by country of destination, it is possible to verify that the main problems identified in Brazil are related with bureaucracy, the heavy fiscal system,



corruption, labour issues, and lack of development and promotion of the destination. In Angola, bureaucracy is the main mentioned problem as well, followed by the lack of qualified human resources, poor local infrastructures and transportation system, and the lack of tourism promotion. In Mozambique the problems also relate with the lack of qualified human resources, bureaucracy and corruption, whereas in Cape Verde is essentially the poor local infrastructures and lack of qualified human resources.

#### 7.5.2.4 Business relationships

Internationalisation is usually regarded as the strengthening of the international involvement of companies. A broader definition considers however not only the actions in foreign markets, but also the cooperation and the relationships established with foreign companies in the domestic market. Thus the analysis of the internationalisation process of Portuguese companies should also look at the relationships with foreign partners in the domestic market, which might prompt their international projection. The inward process thus might precede and influence the development of outward activities.

In the case of tourism, foreign tourists consuming services in the service's home country can be also regarded as international business operations (Welch & Luostarinen, 1993). In this regard, Portugal enjoys a fairly good situation in terms of international tourism inflows. In 2007, Portugal occupied the 21<sup>st</sup> position in the world tourism ranking, having received nearly 24 million visitors, of which 12.3 million were tourists (Turismo de Portugal, 2008).

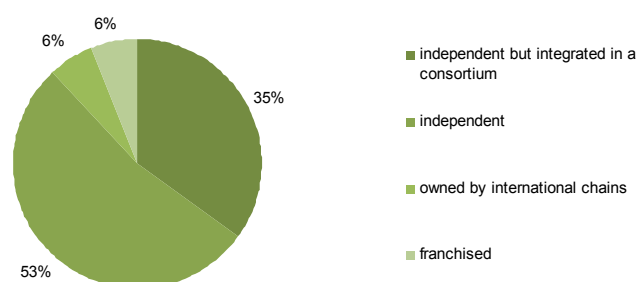
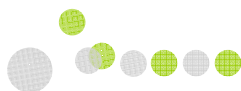


Figure 7.13 – International involvement of hotels in Portugal

Source: ICEP (1998)





Almost half of the hotels located in Portugal are integrated in schemes that allow a good connection with the global economy, being integrated in a consortium, resulting from a franchising agreement or being part of an international hotel chain (Figure 7.13). Their privileged locations are the Lisbon and Oporto regions, denoting a preference for the business tourism segment. Hotels located in the coastal areas are the least integrated in any scheme because they are mainly targeting the leisure segment, allowing tour operators to sell beach holidays in the international markets.

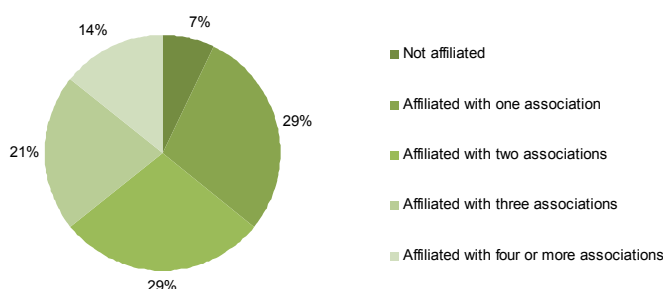


Figure 7.14 – Company's affiliation with tourism associations

Source: own construction

Firms consider important not being isolated in their business area, thus 93 percent are affiliated with trade associations (Figure 7.14). Moreover, 64 percent stated that they are affiliated with two or more tourism entities. The main associations receiving these firms' affiliation are the Association of Hotels of Portugal (*Associação da Hotelaria de Portugal*) (71.4 percent), the Algarve Hotel and Tourism Businesses Association (*Associação dos Hotéis e Empreendimentos Turísticos do Algarve*) (35.7 percent), the Portuguese Tourism Confederation (*Confederação do Turismo Português*) (21.4 percent) and the Portuguese Association of Hotels, Restaurants and Tourism (*Associação Portuguesa de Hotelaria, Restauração e Turismo*) (14.3 percent). Results also show that 42.9 percent of respondents attach a great importance to inter-organisational relationships, referring that being integrated in a business network is very beneficial to the internationalisation process of the firm (Figure 7.15).

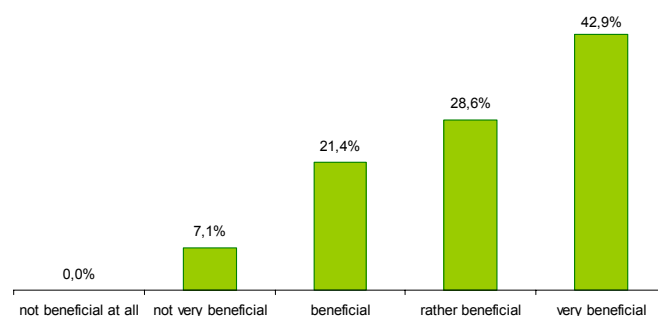


Figure 7.15 – Benefits for internationalisation of being part of a business network

Source: own construction

Partnerships and cooperative inter-organisational relationships seem to have an important role in the companies' strategic directions, namely to attain the objectives of the company, improve market efficiency, coverage and reach, access new markets and to internationalise (Figure 7.16). All these factors are intimately related with one of the firms' main goal: to attain growth. On the other hand, firms do not consider partnerships being particularly important to obtain investment and funding, protect consumers, improve yield and deal with the competition. All companies considered important the establishment of partnerships with other entities to internationalise; 71.4 percent believing that cooperative relationships are fairly or very important.

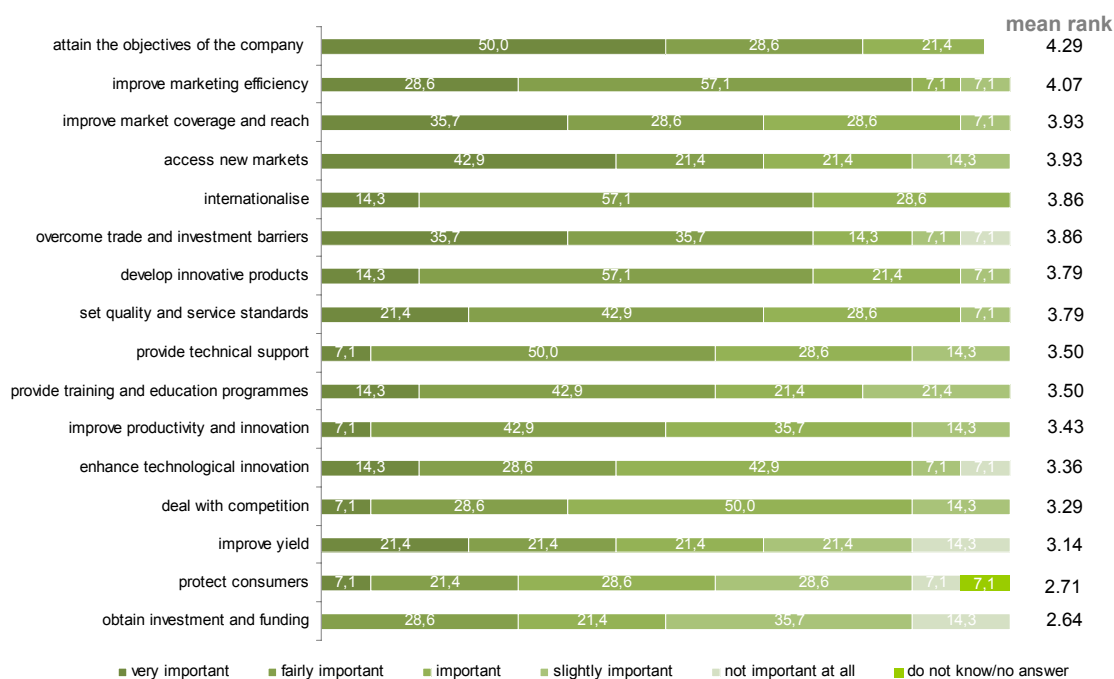


Figure 7.16 – Benefits of partnerships

Source: own construction



### 7.5.2.5 Future investments

Trying to accomplish their growth objective, companies have stated to have a big range of future projects. Portuguese firms seem to have awakened for a whole new world of opportunities, given that in their future agenda, in addition to investment in the countries where they are already operating, as well as new investment projects in the domestic market, it is projected foreign market expansion. When asked about future plans to withdraw from any of the present international hotel ventures, only two companies stated that they were planning to disinvest. The reasons for that relate to the adjustments in the portfolio. Table 7.11 summarises future investments, which are divided according to their implementation stage.

Table 7.11 – Investment prospects of the companies

company	execution	project	study
company A*	Portugal (3)	Angola (1)	Portugal (4) Angola (2)
company B	—	—	—
company C*	Brazil (2) Macedonia (1) Czech Republic (1) Hungary (1)	—	Portugal Panamá Mexico Argentina India China Turkey Italy
company D	Portugal (1)	—	Angola
company E*	Portugal (1) Brazil (1)	Argentina (1)	Morocco Angola
company F*	Portugal (1)	Brazil (1)	Cape Verde
company G	Cape Verde (1) Brazil (1)		Cape Verde Brazil
company H	Portugal (1)	—	—
company I	—	—	—
company J	Angola (1)	—	Algeria Brazil
company L	Portugal (1) Brazil (1)	Portugal (5)	Brazil
company M*	Portugal (3) Brazil (1)	—	—
company N	Portugal (1) Brazil (1)	—	Brazil
company O	Portugal (1)	Portugal (5)	Angola (1)

\* companies starting their internationalisation process

Source: own construction



On average firms have two projects underway, expanding not only in Portugal, but also overseas. There are, however, cases of firms that do not intend to grow, showing that their overseas investment in the hotel sector was just an isolated act, not being part of the strategy of the company to expand. That is the case of companies B and I. Company H is also more concentrated in expanding gradually in Portugal, not having international expansion plans, although not excluding the hypothesis of that happening to seize a business opportunity.

Five companies, on the other hand, present a rather different policy, intending to expand, not only in terms of the number of projects but also in the number of countries covered, thus helping to diversify the destination of the Portuguese FDI. The reasons underlying this market expansion in new countries are related with both location and relational advantages. These companies either look for markets with growth and potential as a tourism destination, or seize the opportunities that were presented to them by other companies within their business network.

It is interesting to note that one company mentioned India as one of the markets under analysis for possible future international expansion. Besides this case, only two more CEO responded positively to whether Goa has ever considered as a possible FDI destination. Obviously the investment had never materialised, the reasons being the fact that firms have other priorities, thus not being part of their strategic plans, and the cultural and physical distances.

The psychic distance barrier is evident due the lack of knowledge they have on the market. More than half stated that it is very low (57 percent), which combined with those who stated that it is low (38 percent), reveals that the great majority has no familiarity with the destination. Only two companies stated the possibility of investing in Goa in a 5-10 year time span, one being interested in developing hotel and villas, and the other one exploring tourism real state. For that they consider recurring to partnerships, being quite interested in developing business relationships with local firms.

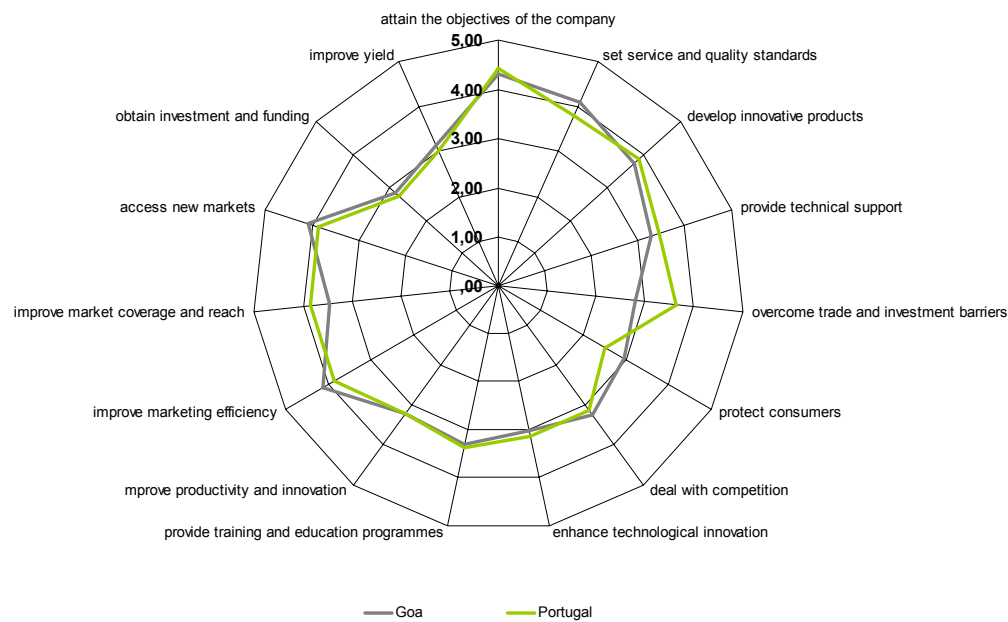


Figure 7.17 – Benefits of partnerships for Portuguese and Goan companies

Source: own construction

There are no statistically significant differences, at the 0.05 level, in the results of hotel companies in Goa and Portuguese firms regarding the importance they attach to cooperative business relationships. Figure 7.17 reveals that the results almost overlap, the only slight difference lying in the fact that, concerning overcoming trade and investment barriers, Portuguese firms find partnerships more important than the Goan ones. This is understandable given that Portuguese firms were looked at as the investor partner and Goan ones were regarded as the receiving partner.

As far as the other companies are concerned, after acknowledging some facts, presented by the researcher, about the hotel sector in Goa, which resulted from the empirical research conducted there, only 60 percent stated that they were interested in deepening their knowledge about the market, thus being offered further information.

## 7.6 Results of the study at the unit-level

While the previous section presented the results on the firms that are actors in the internationalisation of the hotel sector (companies already internationalised and firms that were starting their internationalisation processes), this section intends to present data on



the hotels themselves, both the existing hotel ventures and also the projects in progress. In total, these represent 39 hotels, 25 of which are already operating.

## 7.6.1 Characterisation of hotel establishments

### 7.6.1.1 Type and category

More than 90 percent of the units already being run by Portuguese firms are hotels, with only one resort-type establishment. When looking at the projects underway, it is visible that, although hotels remain the main type of accommodation, resorts represent already 30 percent of the total of the new ventures. Most of these are holiday resorts aimed mainly at the European ‘sun and sea’ market and organised in ‘all inclusive’ package tours.

According to a report from the United Nations (UNESCO, 1980), transnational-associated hotels are largely concentrated in the high-quality segment of the hotel industry, being generally classified as four or five-star hotels. This is the case of the Portuguese accommodation establishments overseas (Figure 7.18), with a clear trend towards four-star (56 percent) and five-star hotels (28 percent). The three-star category represents only 8 percent.

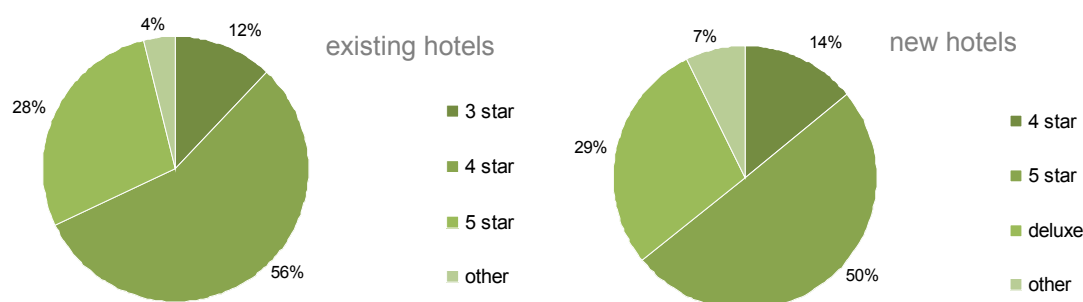


Figure 7.18 – Classification of the existing hotels and the new projects by category

Source: own construction

Taking into consideration the new ventures, it is possible to verify that there is no three-star hotel being projected, thus suggesting that firms are already working towards the concretisation of one of their main objectives, which is to improve the quality of services and standards. Half of these hotels are five-stars, and if taking into consideration this and the deluxe categories altogether, their share rises to nearly 80 percent.



### 7.6.1.2 Year of opening

Companies started to invest overseas in mid 1990s, but it was mostly at the end of the decade that the internationalisation movement intensified, following the global trend of the Portuguese economy (Figure 7.19). Since then, the number of new hotel ventures every year has been steady. Some of the new hotels were projected to open at the turn of the millennium, but most of them during the course of 2010 or in 2011.

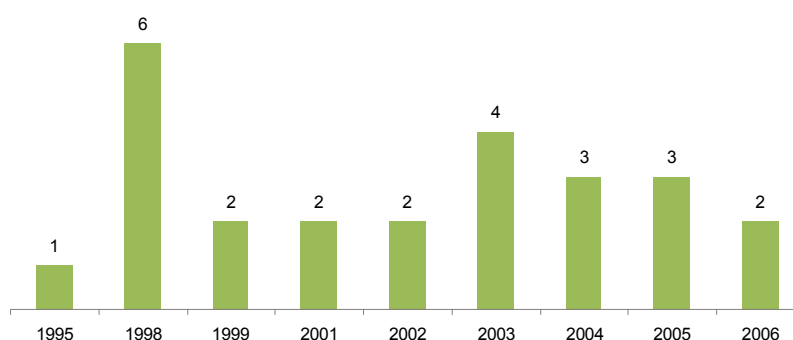


Figure 7.19 – Year of opening of overseas hotels

Source: own construction

### 7.6.1.3 Location

Location is critical in that it determines both the destination and the hotel's position within the destinations. Most of the hotels is concentrated in Brazil (9), existing also a fairly good number in Mozambique (8). The rest is located in other African Portuguese speaking countries, namely Cape Verde (4), Angola (2) and Sao Tome and Principe (1), existing also one hotel in Morocco. In Brazil they are located in the North-eastern region (Ceará, Bahia and Alagoas), constituting a beach resort type of accommodation. The same happens in Cape Verde, with most of the hotels being located in a big beach resort area (Sal Island). In Mozambique there is a mixed preference for cities, namely the capital city, catering for business travellers; costal areas attracting the sun and sea type of tourists; and inland areas for taking advantage of the big potential of ecotourism activities. In this country, firms' location policy implies targeting sites and cities with good international communications, showing a preference for gateway cities and selected resort locations presenting lack or shortage of quality hotel properties.



Between the firms already internationalised and the ones entering in foreign markets, 14 new hotels were underway. Regarding the location of these projects, most of them are also located in Brazil, with the same trend towards the north-eastern region, namely Ceará, which will host five new hotels, and Bahia with two more establishments. There is also a project for the city of Sao Paulo, which is an important gateway city for Latin American markets, especially the Argentinean, and a big destination for domestic business travellers. Also with the aim of taking advantage of business travellers, two new hotels will be constructed in the capital city of Angola. Following the trend of the investment towards the PSAC, a new hotel was projected for Cape Verde. A diversification of destination was however projected for Central and Eastern countries, namely Macedonia, Czech Republic and Hungary.

#### 7.6.1.4 Capacity

An empirical study conducted in Turkey (Buckley & Geyikdagi, 1996) showed that multinational hotels are much larger than the local ones, and tend to benefit from larger economies of scale. The report of the United Nations Centre on Transnational Corporations (UNESC, 1980) also asserted that transnational-associated hotels tend to be larger than indigenous ones. Although it would have been difficult to gather data to verify this assumption, it is possible to state that, when taking into account the location of these hotels, usually in not very developed areas and in some cases even without similar structures, it is generally true that.

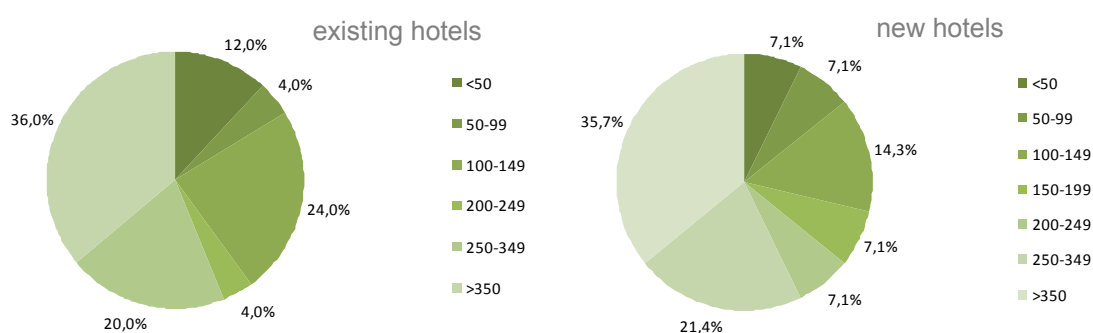


Figure 7.20 – Bed capacity of the existing hotels and the new projects

Source: own construction





Some of these companies have expertise in running large accommodation establishments in Portugal. Taking into account only the firms that have hotel operations in the domestic market, their average number of rooms per hotel is more than 200. Overall, in overseas ventures, the average number of rooms is a bit lower (around 152) and the number of beds is about 310. Having in mind the characteristics of the new projects, it is not surprising that their capacity is bigger, although the difference is not much (156 rooms and 324 beds per hotel).

Despite the large average capacity, it is interesting to note that there are small units that coexist with big resorts. Twelve percent of the existing hotels have less than 50 rooms (Figure 7.20). Some of these hotels are independent units, proprietor-managed, and outside of the scope of branding or consortia marketing arrangements. Size is usually related with ownership, with independent units tending to be smaller (Baum & Mudambi, 1996).

#### 7.6.1.5 Facilities

Belonging to mid-range and upscale categories, all the existing hotel rooms are equipped with bathroom, 301 and the majority of them have air conditioning (96 percent), television (96 percent) and telephone (88 percent). Regarding public areas within the hotels, all of them possess restaurant and bar, 92 percent of them have laundry service and nearly 85 percent have swimming pool (Figure 7.21). Other facilities highly represented include parking facilities, business and convention centres, shopping arcades, sport facilities, health spa and gymnasium. Overall, more than 50 percent of hotels possess all the array of facilities, except and other services. No hotel possesses casino or golf courses.

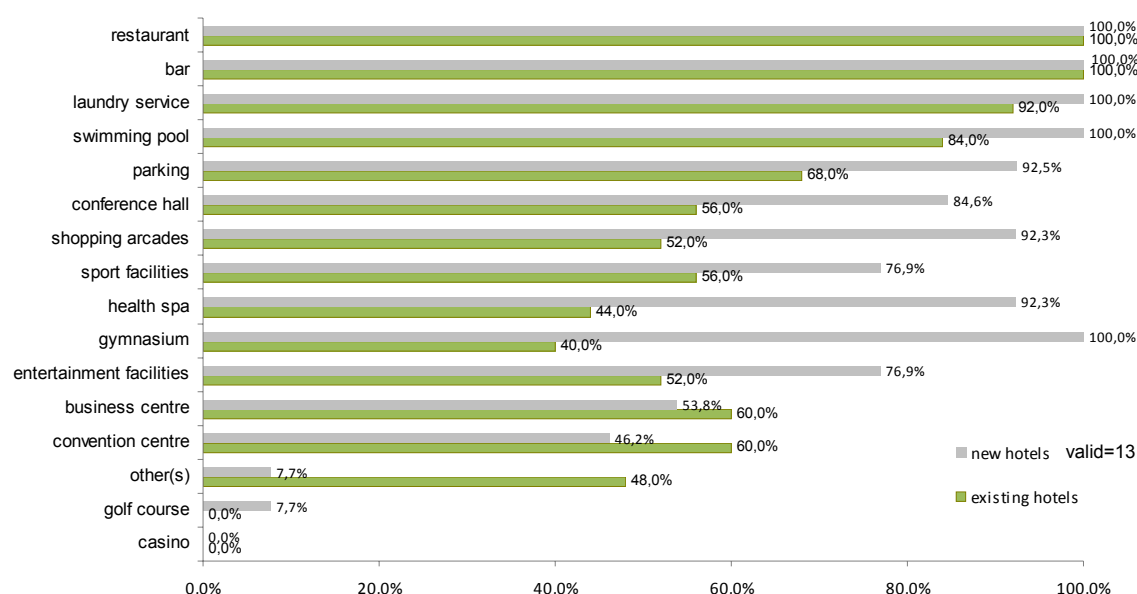


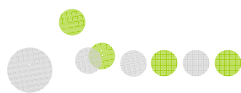
Figure 7.21 – Hotel facilities in public areas

Source: own construction

The new hotel ventures, being classified in higher categories and being more of a resort-type, have considerably more facilities than the existing ones. There are big differences in most of the items, especially in gymnasiums, health spas and shopping arcades. On the other hand, business and convention centres are more represented in the existing hotels, reflecting their segment target, and showing that the new ventures are possibly not particularly designed to cater for business tourists.

#### 7.6.1.6 Employees

On average, the existing establishments (valid=24, missing=1) have 120 employees during peak season and during off-season the number of employees diminishes considerably (87), especially in those establishments located in seaside resorts. Part-time workers are very seldom used. The percentage of employees with training in tourism is very low (4 percent), and none of the part-time employees have training. On average there are two Portuguese employees, usually the general manager and other persons holding management positions. The new establishments (valid=13, missing=1) have more employees (192) than the existing ones, also a reflex of the higher category of the hotels.



### 7.6.1.7 Investment and turnover

Given the large scale of most of the hotels, and despite the cost advantage that it might provide, there are considerable capital investment requirements. This is sometimes supplied from partners or from other sources, such as bank loans. On average, companies (valid=20, missing=5) invested 4.6 million euros on each of the existing hotels, which in turn present an annual turnover of 4.68 million euros. Each of the new hotels (valid=13, missing=1), on average, requires a considerably much higher investment (27.3 million euros). This considerable difference that exist in terms of the amount invested might be related with the fact that these new ventures are bigger and have more facilities, thus requiring more capital, but essentially with the fact that the investment amount is at current prices.

## 7.6.2 Characterisation of guests

### 7.6.2.1 Type of tourists

The majority of the hotels (67 percent) reported that their guests mainly arrive on a package tour, which includes transport (generally via charter flight) and accommodation, advertised and sold together by a tour operator (valid=21, missing=4). Free independent travelers (FITs) are the main segment of tourists for only 33 percent of hotels. The percentage of guest travelling with a Portuguese tour operators is very small, with only two establishments reporting that half of their guests arrive on package tours sold by these agents (valid=24, missing=1). Overall, domestic tourists prevail over international tourists (58 percent against 42 percent). The Portuguese market is not very expressive, except in three establishments, which represent half of their guests.

### 7.6.2.2 Motivations

Hotels cater for a diversity of markets, reflecting leisure, business, conference and convention, and a plethora of other demands from international, domestic and local users. These establishments mainly attract business tourists (which might explain the high level of business infra-structures and services), visitors looking for natural environment, and sea, sand and sun, this constituting 64 percent of the main motivation (Figure 7.18). Other non-specified motives and events are also important motives, followed by people visiting their



friends and relatives, and culture and historical monuments. Honeymoon and weddings attract 8 percent of the tourists.

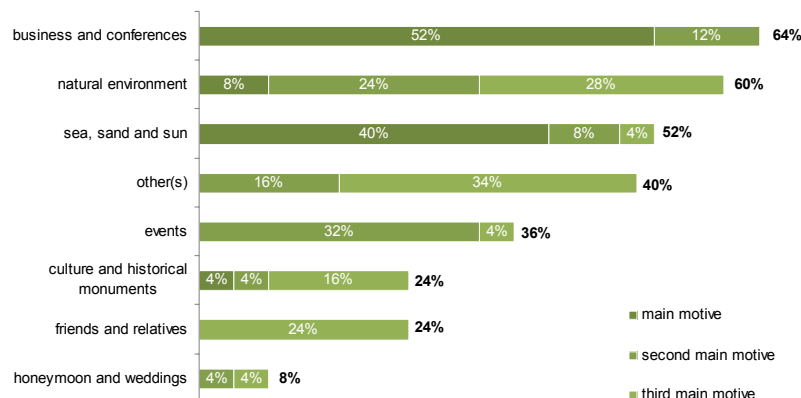


Figure 7.22 – Motivation of tourists

Source: own construction

### 7.6.2.3 Average length of stay, daily spending and occupancy rate

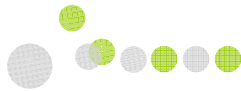
The establishments that reported the average length of stay by the season of the year (valid=15, missing=10), did not show much difference in the values. On average guests stay 9.7 nights during the high season and 9.6 nights during off-season. Taking into account the yearly figure, the average length of stay is approximately one week (valid=23, missing=2), that is the usual duration of the tourism packages.

Although the intention was to present this indicator breakdown by season, almost all respondents were not familiar with the figures, some of them because the company reports usually do not present the information disaggregated in this way, thus only the yearly amount is presented. The average daily spending is 96.36 euros. Similar to this indicator, only the average yearly figure was able to be collected. The average room occupancy rate is 67.3 percent.

## 7.6.3 International investment

### 7.6.3.1 Decision-making

When inquired about the context of the decision making regarding the investment overseas, it is interesting to note that only 46 percent of the projects were solely initiative of the



company (Table 7.12). This means that the decision to internationalise do suffer from external influence, both from the business network in which the company is embedded, as well as from informal networks constituted by friends and relatives or personal contacts within the company's network. Existing personal networks thus might facilitate the entrance into new foreign networks (Björkman & Eklund, 1996; Lindqvist, 1991).

Table 7.12 – Context of the decision making

initiative of the company	46.2%
personal contacts within the company's business network	20.5%
invitation/proposal of governmental entities from the destination country	17.9%
suggestion of friends or relatives	5.1%
invitation/proposal of Portuguese companies that wanted to establish in the market	5.1%
invitation/proposal of companies from the destination country	2.6%
invitation/proposal of foreign companies that wanted to establish in the market	2.6%

Source: own construction

It is visible that there is much influence on the decision-making process by other companies, either Portuguese companies that want to establish in the market, companies from the destination country or foreign companies that want to establish there. There is also considerable influence of local governmental entities. These findings indicate that the relationships established with others influence and often dictate strategic options. This is in accordance with Coviello and Munro's (1997) work, who concluded that firms' internationalisation are more based on opportunities created through network contacts, rather than solely from the strategic decisions of managers in the firm.

### 7.6.3.2 Market knowledge

It appears that at the time of the first experience of internationalisation in a given country, the knowledge of that market was already significant: 38.9 percent of firms reported that it was high and 33.3 percent said it was average (Figure 7.19).

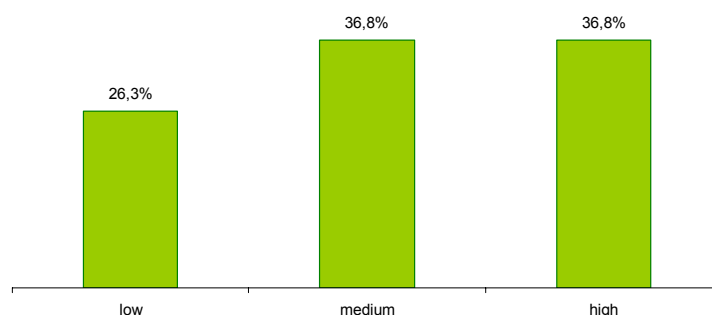


Figure 7.23 – Degree of market knowledge prior to first international operation

Source: own construction

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Given that the companies did not have experience in the market, to get more knowledge about it, they used the international experience that their business group already had on that particular market (64.3 percent of the companies is part of a business group), the international experience of the management team, as well as the business networks on which the company is embedded, as well as personal contacts (Table 7.13). Only 16.7 percent of the companies report that the market knowledge was acquired through market research studies. It is therefore evident the importance of networks, both formal and informal, to overcome barriers related to lack of experience and market knowledge in the process of internationalisation.

Table 7.13 – Source of market knowledge

market experiential knowledge of the business group in which the company is incorporated	33.3%
international experience of managers	16.7%
market research	16.7%
personal contacts	11.1%
previous relationships with Portuguese companies with market experiential knowledge	11.1%
previous relationships with foreign companies with market experiential knowledge	11.1%
previous relationships with companies from the destination country	5.6%

Source: own construction

Knowledge gained from network relationships is thus of surmount importance to the firm, and is actively used in new ventures. Manager's prior international experience is also important given that it has a great level of knowledge and skills regarding the market and how to manage the international business. This is consistent with the findings of other



studies that posit that learning through experience develops both expertise and contacts, thus reducing the uncertainty related to the decision-making (Fischer & Reuber, 2003). It might also indicate that more attention is paid to internationalisation as a growth strategy.

### 7.6.3.3 Form of operation

While in manufacturing industries and in other service industries, the means of preserving control over the use of firm-specific assets is by owning 51 percent or more in the new operation, in the hotel industry, control can be secured through a contract without equity involvement (Buckley & Geyikdagi, 1996). Nonetheless, Portuguese companies tend to choose the ownership of the hotels (49 percent are greenfield investments, 23 percent are brown field investments, 23 percent are total acquisitions and 5 percent are partial acquisitions<sup>5</sup>), whereas only 23 percent are operated through contracts. Of the hotels owned by the companies, 57 percent are sole-ventures and 43 percent are joint ventures. On average they take a 26 percent stake in joint venture, with values ranging from 15 to 80 percent.

Table 7.14 – Mode of entry of Portuguese firms

mode of entry	hotels	rooms
equity		
fully-owned	20	2,764
joint venture	15	2,088
non-equity		
management contract	1	73
franchising	—	—
leasing contracts	4	749
total	39	5,674

Source: own construction

Table 7.14 shows the distribution of the hotels and rooms by mode of entry. It is evident the preference for equity modes, contrasting with the general trend of the hotel industry, which uses predominately non-equity modes, being the franchising and management-

<sup>5</sup> Partial acquisitions were analysed as if they were joint ventures, given that the control over the foreign operation is shared. This same argument was used by Chang and Rosenzweig (2001) and Pla-Barber and Darder (2002), among others.



service contracts the two most commonly employed modes (Erramilli et al., 2002). Only one Portuguese company uses management contacts, while none entered a foreign market by the means of a franchising agreement.

#### 7.6.3.4 Partnerships

Given that for the decision-making process there is considerable influence of informal and formal networks, and that the companies consider important the establishment of partnerships to internationalise, in practical terms, this reflects on the fact that 48.7 percent of the projects were/will be developed through a partnership with local partners (40.9 percent) and Portuguese partners (45.5 percent) (Table 7.15). On average, firms have one partner, mainly being a private company (72.7 percent), big-sized (54.5 percent) and from other economic sectors (54.5 percent).

Table 7.15 – Type of partners of the Portuguese firms

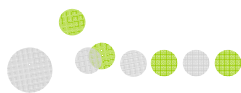
nationality		size	
Portuguese	45.5	micro or small enterprise	13.6
destination county	40.9	medium enterprise	31.8
other country	13.6	big enterprise	54.5
business area		ownership	
tourism	45.5	private enterprise	72.7
other activity	54.5	public entity	22.3

Source: own construction

The main reasons for the establishment of partnerships are market experience and knowledge (33.3 percent), contractual obligations (20.8 percent), personal relationships and trust (13.3 percent), risk minimisation (12.5 percent) and easier and faster market penetration (12.5 percent).

It is worth noting that 47 percent of the establishments would not have been accomplished if the firm had not established partnerships, and in 6 percent of then the investment would have been reduced, thus demonstrating the use of relational logics in internationalisation processes, instead of pursuing independent strategies, which often prove to be fatal.





### 7.6.3.5 Competitive factors

The factors determining the size and growth of tourism demand to a particular place are location advantages (Dunning & McQueen, 1981). In the hospitality industry, the key factor in the location decision is demand, thus operations should be located where demand is highest and in an easily accessible place (Jones, 1999). Given that tourism activities are mostly influenced by location, it is not surprising that this is perceived as a major competitive strength by the Portuguese enterprises, being stressed by 65 percent of the respondents. Other important factors relate with the service and product offered (quality, differentiation and innovation) and the hospitality of human resources. Human resources have long been considered a key attribute of international operators. The lack of competition was also mentioned by some of the respondents.

Overall, a big majority of the firms that are already operating their hotel operations abroad evaluate the experience in a very positive, with 72 percent of the projects being regarded as good or excellent, thus might reflecting the competitive advantages that they have in relation to their competitors in the destination.

### 7.6.3.6 Incentives

Government investment support schemes are one of items considered by decision makers (Rolfe, Ricks, Pointer, & McCarthy, 1993). There are several examples of local and national authorities setting up incentive schemes, and thereby providing substantial benefits to multinational enterprises, in return for sitting investment in their areas of jurisdiction. Financial incentives to attract private investment in hotels to support development policies are very common. This is particularly true for developing countries where many prime tourist sites are located (Baum & Mudambi, 1996), being the case of Brazil, particularly noticeable in some Estates, and Cape Verde, which granted facilities for companies to set up tourist infrastructures. Almost 30 percent of the investment projects were granted local incentives. The majority of them were in the form of tax incentives, sometimes in conjunction with infrastructure development and promotion.

Generally speaking, the sources of public support for hotel development are more limited in developed countries, considering both incoming investment and incentives to outward



flows. Incentives from Portuguese entities were rare, with only 13 percent of the projects receiving such benefices, which took the form of interest subsidies. This fact was mentioned to be one of the drawbacks given that there is a lack of support by the Portuguese entities to enterprises' internationalisation.

### 7.7 Analysis and discussion of the results

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Although the internationalisation of the Portuguese firms in the tourism sector has started late, being dominated by a few companies and their degree of internationalisation being relatively low, it has been identified a number of new projects and firms intending to engage in foreign markets other than the traditional ones. Nonetheless, the investment have been mainly done towards former colonies, particularly Brazil and some Portuguese speaking African countries (Cape Verde and Mozambique), which are new destinations in the world tourism scene, with interesting natural attractions and warm weather throughout the year. Fundamentally these are appealing destinations for sun and sea tourism or nature-related tourism, still relatively undeveloped in regard to tourism, allowing Portuguese firms to gain some considerable advantages, since the big international players are not seriously engaged in some of these destinations, thus the competitive pressure and dimensional demands are considerably lower. This is corroborated by the fact that for some of the hotels, their competitive advantage was precisely the fact that there was no direct competition.

There seems to be either a convergence of interests among Portuguese companies or a tendency to imitate the competition. The first option seems more likely as through cooperation it is easier to consolidate these tourism destinations, and therefore their individual businesses. Some companies are integrated in business groups that are vertically integrated, thus allowing them to control the value chain, especially through the tour operators that are responsible for the creation of tourism packages. Despite competing in the destination, these companies can cooperate at a broader level, in order to allow some dimension and develop the destination. This is suggested by the fact that in some cases, particularly in Brazil, there are Portuguese companies in the same region, and also by the fact that in many cases the firms pointed out that one of their main difficulties relates to the lack of promotion done by local governmental entities. Coopetition thus seems inevitable



and essential. This cooperation and concerted strategies are not just inter-organisational though, some groups strategically position their hotels in proximate locations so as to gain economies of scale and dimension. Despite this geographical concentration, results show that some of the new players will contribute to the diversification of FDI destinations. Investment will be more dispersed and in countries that do not show evident cultural affinities.

The main objective of this study is to verify whether concepts derived from the network theory can explain the international business development employed by firms in the hotel sector. More specifically, the study aims to understand Portuguese firms' approach to internationalisation, particularly in terms of firm's decision to internationalise, foreign market selection and mode of entry, and how network relationships influence it. In order to accomplish that, some hypotheses were proposed, derived from the literature, relating to three main factors that influence the mode on how companies enter foreign markets: relational, company and country-specific. These will be now tested in order to shed light into the internationalisation process of Portuguese firms.

### Relational factors

H<sub>1</sub> *Network relationships trigger and motivate firms to internationalise.*

For 52 percent of the projects analysed, the decision to internationalise resulted from external influence, both from the business network in which the company is embedded (invitations from other companies or local governments of the destination country), as well as from informal networks constituted by friends and relatives or personal contacts within the company's network (Table 7.12). This hypothesis has been supported and confirms Coviello and Munro's (1997) work, who concluded that firms' internationalisation are based on opportunities created through network contacts, rather than solely from the strategic decisions of managers in the firm.

H<sub>2</sub> *Business relationships are a source of information on knowledge about the host countries.*

At the time of the firm's first market entry, their market knowledge was already considerable (38.9 percent of the firms reported that it was high and 33.3 percent said it



was average). Given that the companies did not have experience in that particular market, they used their network relationships to gain international experience in order to facilitate them in their foreign operations (Table 7.13). These firms resorted to business networks on which the company is embedded, as well as personal contacts. Establishing and using relationships with other firms is a means to gain tacit knowledge about the market, thus being important to accelerate access and entry into new markets. It is evident the importance of networks, both formal and informal, to overcome barriers related to lack of experience and market knowledge in the process of internationalisation, and therefore this hypothesis is also supported.

### Company-specific factors

H<sub>3</sub> *The establishment of business relationships will be negatively associated with the firm's international experience.*

This hypothesis intends to determine whether there is any relationship between the use of cooperative forms of market entry with international experience. In order to test this relationship, two variables were used: the partnership as the mode of entry (dichotomic variable: 1 for joint venture; 0 for all the other cases) and the international experience (independent variable). This variable measures the international experience at the time of a particular entry operation. It is calculated from the difference between the year of entry and the year of the firm's first international activity. During data exploration, however, both plots and Levene test (sig=0.00) revealed that the Mann-Whitney test could not be performed because, though it is a nonparametric statistical test, both samples should have a similar distribution (Pestana & Gageiro, 2003), and it was not the case.

H<sub>4</sub> *The establishment of business relationships will be negatively associated with the company's degree of internationalisation.*

This hypothesis intends to determine whether there is any relationship between the use of cooperative forms of market entry with the degree of internationalisation. Besides the mode of entry, the degree of internationalisation was used as the independent variable, which is calculated by the weighted number of rooms abroad proportionate to the firm's total number of rooms. During data exploration, it happened the same problem as in H<sub>3</sub>, thus not being possible to use the statistical test (sig=0.00).



H<sub>5</sub> *A negative relationship exists between the size of the company and the establishment of business relationships.*

This hypothesis intends to determine whether there is any relationship between the use of cooperative forms of market entry with the size of the firm. Along with the mode of entry, the firm size, measured by the number of employees, was used as the independent variable. Again, the test was not possible to be performed (sig=0.00).

### Country-specific factors

H<sub>6</sub> *The establishment of business relationships will be positively associated with the level of political and/or economic risk of the host country.*

This hypothesis intends to determine whether there is any relationship between the use of cooperative forms of market entry with country's risk. In addition to the same dependant variable, it was used the country risk index taken from the OECD Country Risk Classification, which classifies country risk into eight categories (lowest=0 and highest=7). This variable measures the international experience at the time of a particular entry operation. Analogously, it was not possible to perform the test (sig=0.00).

H<sub>7</sub> *The establishment of business relationships will be negatively associated with increments in cultural proximity between home and host countries.*

This hypothesis intends to determine whether there is any relationship between the use of cooperative forms of market entry with the cultural proximity between countries. The entry mode variable was used to test against the cultural proximity index, based on the CHELEM database constructed by CEPPII, which measures several variables with 0 or 1. These variables indicate whether the two countries are contiguous; share a common language; have had a common coloniser after 1945; have ever had a colonial link; have had a colonial relationship after 1945; and are currently in a colonial relationship. In the same way, the test was not possible to be performed (sig=0.00).

Given the constraint of not being able to statistically test the hypotheses, and due the fact that the number of cases is not very high, the researcher decided to use a more qualitative approach. Figure 7.20 illustrates the international portfolio of groups operating more than



one hotel abroad, the entry mode, year of international operation and the country of destination.

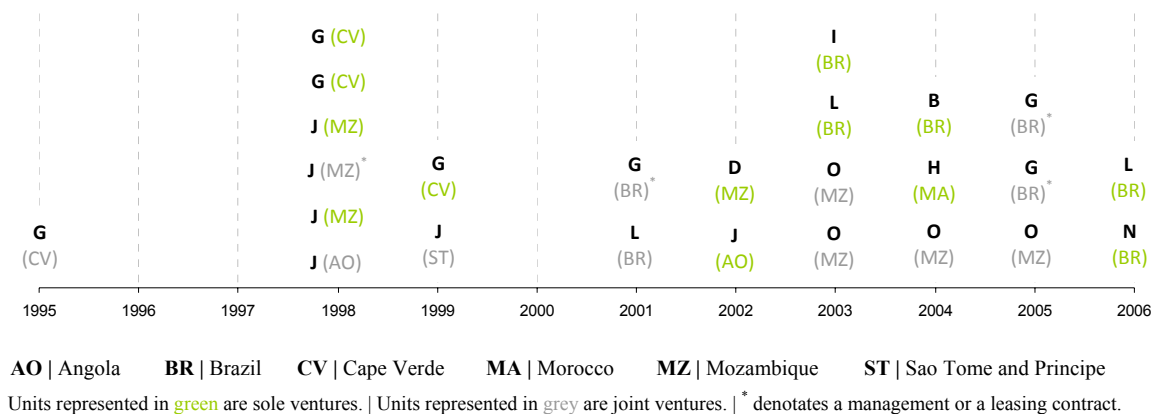


Figure 7.22 – Longitudinal view of foreign market and entry mode

Source: own construction

According to Baird, Lyles and Orris (1994), an internationalisation strategy consists of a combination of exportation, alliances and foreign direct investment strategies. Their work confirms Turnbull's (1987) thesis that defends simultaneous presence of more than one entry strategy in the same country. This is the case of Portuguese internationalisation in the hotel sector. Some companies opt to choose different modes of entry in different markets, and even in the same country they opt for different modes.

Company L, in market entry, opted for cooperative forms of business, being a way of sharing costs, acquiring wider knowledge of the market and tourists' habits, while in market expansion it opted for sole ownership. This suggests that in the first internationalisation experience it linked with other partners so as to gain market knowledge and share the risk, while in subsequent experiences it assumed higher control of the business, not making use of a partnership. This resembles the assumption of the stage model of internationalisation.

However, looking at the other companies that operate more than one hotel abroad, it can be seen that there is no defined pattern. Company G started its international activities in mid 1990s in Cape Verde through a joint venture; three years later established two new hotels



in the same country, through a sole venture and one year later it opened another solely-owned hotel. In early 2000s the company decided to expand to Brazil and for its first operation in this destination it opted for a leasing contract, the same happening with the subsequent two hotels that it started to operate in mid 2000s.

Company J, in the same year, entered two markets using different entry modes: in Mozambique it used both a sole venture and a leasing contract, while in Angola it established a joint venture. In Sao Tome and Principe, where it entered one year later, the company used again a partnership, setting up a joint venture. The pattern of company O is more coherent, entering the same market in different years but always through a joint venture.

There is no clear pattern regarding the relationship between firm size and the entry mode choice either (Table 7.16). There are cases of small firms entering for the first time in a foreign country through a sole venture, thus not making use of a partner to gain market knowledge or gain dimension, and cases of big firms opting for a partnership in their market expansion, having established previously in the country through a joint venture. The same happens with degree of internationalisation. This might suggest that the entry mode choice is not a strategic decision of the company; it is rather a result of business relationships that trigger and influence the decision to invest (which as seen previously to have an effect), thus leading to the establishment of joint ventures. It might also result from restrictions imposed by national authorities in destination countries. Overall, there is a clear tendency towards equity forms of entry, particularly sole-venture establishments. There is only one management contract and none of the firms uses franchising agreements, which might reflect their still low international experience and reputation.

Several empirical studies in the hotel sector have shown that in countries perceived as risky, firms prefer to share the control with local agents, in order to diminish the risk implicit in FDI. In our sample, countries presenting higher risk levels are Angola, Mozambique and Sao Tome and Principe (index 7 each); however they were host of more sole ventures than joint ventures. This seems to contradict the trend towards forms that demand less control and risk.



Table 7.16 – Case-wise company and country-specific factors

cases	mode of entry	company-specific factors			country-specific factors	
		international experience	degree of internationalisation	size	risk	cultural proximity
1	joint venture	*	0.00	57	6	4
2	sole venture	0	1.00	8	3	3
3	joint venture	*	0.00	90	0	0
4	joint venture	*	0.00	90	0	0
5	sole venture	*	0.00	90	3	3
6	sole venture	*	0.00	90	3	4
7	sole venture	*	0.00	90	5	0
8	sole venture	5	0.33	400	6	4
9	sole venture	*	0.00	250	3	3
10	joint venture	*	0.00	1,300	3	3
11	joint venture	0	2.00	835	6	4
12	sole venture	0	2.00	835	6	4
13	sole venture	3	2.00	835	6	4
14	sole venture	3	2.00	835	6	4
15	leasing contract	6	2.00	835	3	4
16	leasing contract	10	2.00	835	3	3
17	leasing contract	10	2.00	835	3	3
18	joint venture	*	2.00	835	3	3
19	sole venture	*	2.00	835	6	4
20	sole venture	0	0.33	95	3	0
21	sole venture	0	0.00	17	3	3
22	sole venture	0	1.64	1,007	6	4
23	manage. contract	0	1.64	1,007	6	4
24	sole venture	4	1.64	1,007	6	4
25	sole venture	0	1.64	1,007	6	4
26	joint venture	0	1.64	1,007	6	4
27	joint venture	1	1.64	1,007	6	4
28	sole venture	*	1.64	1,007	6	4
29	joint venture	0	0.17	1,800	3	3
30	sole venture	2	0.17	1,800	3	3
31	sole venture	5	0.17	1,800	3	3
32	joint venture	*	0.17	1,800	3	3
33	joint venture	*	0.00	250	3	3
34	sole venture	0	0.08	1,900	3	3
35	leasing contract	*	0.08	1,900	3	3
36	joint venture	0	0.57	378	6	4
37	joint venture	1	0.57	378	6	4
38	joint venture	2	0.57	378	6	4
39	joint venture	0	0.57	378	6	4

Source: own construction





Regarding cultural proximity, Contractor and Kundu (1998a; 1998b) revealed that this factor assumes a great importance, especially since hotels use considerable local labour and interact heavily with the local environment. In the literature it can be found mixed results regarding the influence of cultural proximity on the mode of entry. In this case, almost all the countries have the same index, thus not being possible to identify any pattern regarding the mode of entry. Even in the diversification markets in Eastern and Central Europe, there is a mixed use of joint ventures and sole ventures.

Nonetheless, in terms of market selection, it seems that the psychic distance phenomenon can be confirmed by the companies. All started their international operations in countries with the lowest perceived psychic distance, as well as cultural, economic and political diversity. The fact that all companies started their internationalisation through Brazil or Portuguese speaking African countries demonstrates that cultural affinity plays a more important role than geographical distance does. There is evidence of the stage models of internationalisation since foreign market entry is done in cultural proximate countries. Lack of market knowledge and psychic distance are acknowledged but overcome by leveraging network relationships in psychically distant markets.

The internationalisation of Portuguese companies is explained not solely by network relationships, given that concepts inherent in FDI theory, international new venture perspective and the stage models are also evident in their internationalisation, and they are interrelated. For example, there is support for the network perspective in that internationalisation is influenced heavily by the firms' networks of formal and informal relationships (relationships involving competitors, colleagues, government, friends, and so forth), and these network relationships provide market knowledge and influence initial market selection and also mode of entry. Some firms reveal patterns of internationalisation which occurred fairly rapid and across a number of international markets. To a certain extent, this supports the international new ventures perspective. Some of these firms were able to internationalise very quickly by linking themselves to networks. Usually partners provided the initial trigger to foreign market selection as well as the entry mode. There is evidence of the stage models of internationalisation as foreign market entry is done in cultural proximate countries. Geographic distance does not seem to be regarded as a barrier to



internationalisation. Finally, aspects of FDI are evident as the firms internationalise in a manner that maximises control and internalises firm-specific assets. Location-specific advantages emerge through various network relationships, and these advantages are particularly relevant as investments in tourism can only take place in a particular location because they utilise resources/attributes that are immobile.

### 7.8 Summary and conclusions

Portugal has a record of being mostly a recipient country of foreign investment, which has become especially significant after its accession into the EEC in the mid 1980s. It was only in the following decade that outward FDI became relevant in the Portuguese economy, reflecting the growing involvement of Portuguese companies in the international market. These companies have mostly expanded into proximate countries, both geographically and culturally, being particularly evident the case of Spain and Brazil, thus evidencing a concentration of outward FDI. In recent years, despite the still relevance of EU countries, there has been a diversification of the destinations for Portuguese investment, with a greater focus in Portuguese-speaking African countries, as well as in central and eastern European countries.

Portuguese tourism companies, although being involved in the domestic market in international operations since long, through cooperative relationships with multinationals, they only started venturing overseas in the late 1990s, at about the same time that the outward investment experienced a boom, and have accelerated in recent years. Tourism FDI, however, is still a negligible share in terms of the total FDI stock, possibly as a result of the late entry of the Portuguese companies in the international market. The investment has been made towards Portuguese-speaking countries, being specially marked in Brazil, Mozambique and Cape Verde.

Despite the relevance of the tourism sector in the Portuguese economy, and the increasing interest and growth of the outward investment in this sector, not many studies have focused on this phenomenon, being particularly difficult to know its real dimension. It is believe that despite the fact that the industry is dominated by small and micro enterprises, only a few players are active actors in the internationalisation process of the tourism sector,



particularly big economic groups, whose investment concentrated in the hotel sector. However, this might be misleading given that there are also a significant number of Portuguese SMEs venturing in other countries, however many of them are not known given the small scale of the projects.

Primary data collected during preliminary fieldwork revealed that the hotel sector is by far the main mover and protagonist of the internationalisation of Portuguese tourism firms. Investment in this sector is mainly concentrated in Brazil, which also might explain the increase of tourism flows towards this country since early 2000s. Geographic distance thus might not be regarded as a barrier to internationalisation, being cultural proximity more significant.

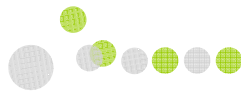
The study aimed at the companies involved in internationalisation processes enabled to get more insights on this phenomenon. The protagonists of the outward FDI movement in the tourism sector are very diversified, ranging from small to big-sized, late entrants to born-globals, independent firms to hotel chains or firms integrated in a business group, and hotel-specific firms to firms with other activities. The international experience of these groups is regarded as essential in gaining market knowledge. It is thus not surprising that the first market entry is generally in countries where the group is already internationalised.

Other important sources of market knowledge are business and personal networks in which the company and managers are embedded, with business opportunities emerging from these networks of relationships. Their international experience is also an important factor. According to respondents perceptions, the main determinants to internationalisation are country-specific advantages, such as the tourism and business potential of the destination. Cultural and linguistic proximity is also regarded as an important determinant. Internal factors, such as market knowledge and the competences of the company are decisive factors as well. The main difficulties faced also relate to the destination market, namely the socio-economic and political situations. Internal limitations mainly related with human resources, firm size and international experience.



8

**conclusion**



## 8.1 Introduction

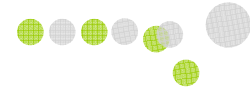
This thesis aimed to understand the role of networks in the internationalisation process of tourism companies, based on empirical evidence gathered from Portuguese companies with investment overseas or with projects underway. This chapter presents the major conclusions of the thesis, discusses the limitations, contributions and managerial implications of the study. It proceeds with recommendations that may facilitate the work of researchers interested in conducting research on this field in the future.

## 8.2 Main conclusions

The main objective of this thesis is to verify whether concepts derived from the network theory can explain the international business development employed by firms in the hotel sector. More specifically, it aims to understand Portuguese firms' approach to internationalisation, particularly in terms of firm's decision to internationalise, foreign market selection and mode of entry, and how network relationships influence it.

The literature review was an essential step to progress in the research. It focused mainly on three key areas to this study, which were examined in three separate, but interrelated, chapters. Chapter 2 examined the topic of globalisation in order to establish a context for understanding the contemporary tourism sector. It enabled to conclude that globalisation, driven by several factors, has been prompting a distribution of trade and investment flows, enabling growth for some developing countries. Tourism and leisure activities, influenced by and influencing globalisation, are also being directed towards less developed countries. These, often lacking know-how and resources to develop the necessary infrastructures, sometimes encourage tourism FDI through local government's support schemes, being also natural targets of transnationals that aim to explore their location and cost advantages.

Chapter 3 reviewed the most influential theories, models and paradigms on internationalisation, as well as their main supporting arguments and drawbacks. These were drawn from the international trade, international business and international entrepreneurship literatures. Some of the theories analysed have been challenged, and are regarded as incomplete, because when individually considered, they fail to provide a

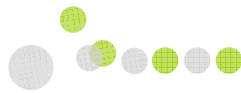


complete explanation of the internationalisation process. This has called for a more integrative approach, incorporating complementary views on this phenomenon.

The network approach, which derives from the Uppsala School of Thought, extended concepts of the internationalisation model of the firm, by incorporating the net of relationships in which the firms are embedded, to help explaining their internationalisation patterns. Most of the existing empirical works have been applied on manufacturing firms. There is however a growing interest in analysing service firms within the context of internationalisation, but just a few focusing on the tourism sector. Hotel internationalisation is nonetheless a slowly developing research field. However, it has been suggested that it might not always be in line with the generic research conducted in a topic area, nor always aware of the different schools of thought that may exist. This seems to be the case of the internationalisation network theory, giving the lack of studies on this area, thus being necessary to incorporate this approach into the research on tourism internationalisation.

Chapter 4 dealt with the importance of network relationships. Several studies have identified their important role in the context of internationalisation. These relationships, developed through interaction, in which firms build knowledge, allow them to minimise or overcome disadvantages of their smallness or isolation, as well as overcome problems associated with unknown markets and psychic distance. Tourism is a networked industry by nature, where business and personal relationships exist between companies and managers, allowing overcoming the problems associated with the fragmented and geographic dispersion of the sector. It is thus useful to understand how these relationships influence the development of the sector and the individual strategies of the firms.

Giving the globalised nature of the tourism sector and the growing expansion of FDI flows, it is important to study what drives companies in their market expansion and how they engage in international markets. This brings us back to the focus of this thesis. One of the specific objectives was to analyse the internationalisation behaviour of enterprises, with special attention given to those based on service industries, particularly to determine key



factors that influence market selection and entry mode choice in international companies' ventures.

The literature review enabled to synthesise the main internationalisation determinants for service firms and tourism-specific companies, mainly in the hotel sector. These are essentially related to conditions of the destination country, internal aspects of the firm and relational factors. The main external factors related to the conditions of the host country's environment are political and economic risk, cultural proximity between the host and origin countries, market growth and potential, level of economic development and foreign business investment penetration. Firm-specific factors are related to the firm size, international experience and degree of internationalisation, while relational factors deal essentially with network relationships. These factors, some more important than the others according to a particular situation, influence the way firms venture into foreign markets.

The second specific objective was to evaluate the importance of network relationships in the internationalisation process, particularly in the decision-making process of hotel companies for international entry and expansion. As mentioned before, relational factors, although not being mentioned very often in the literature on the internationalisation determinants, have been identified in several empirical studies that used the network approach to internationalisation. They have been identified as affecting the firm's decision to internationalise and the choice of entry mode. It has been thus acknowledged that foreign market selection and entry initiatives can emanate from opportunities created through network contacts, rather than solely from the strategic decisions of managers in the firm. These relationships are especially relevant in culturally unfamiliar environments, given that they provide the firm with local knowledge.

Business and personal relationships can act as a bridge between actors and markets, especially when the degree of knowledge of one of them is low. Partnerships can thus fill in the gaps, transferring tacit knowledge from one partner to the other, which is essential to acquire the necessary tools, in a faster and easier way. This is a relevant topic and enables us to connect with another objective of the thesis, which intended to explore Goa as a tourist destination and a potential market for Portuguese investment, thus trying to



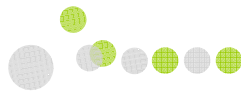
determine whether Portuguese tourism enterprises are interested in investing there in the hotel sector. This is however a market with different business and political settings, from which the Portuguese companies do not know much about, thus being essential the establishment of partnerships. In this regard, it was assessed the willingness of entrepreneurs in Goa to engage in partnerships with Portuguese companies. They are very interested, not only in attracting more Portuguese tourists, but in establishing business relationships with Portuguese companies.

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The empirical study conducted in Goa enable to characterise the hotel sector, thus providing useful information to Portuguese stakeholders that wish to deepen their knowledge on the market. Results from primary data collection show that mid-range and upscale hotels, mainly built in the last two decades, tend to cluster in certain areas of the coastal belt. They are large scale hotels with a wide range of facilities to cater for the needs of tourists, who mainly come from abroad on package tours. These tourists visit Goa mainly motivated by the beach and stay for long periods of time during the tourist and peak seasons, while domestic tourist tend to visit the territory during the off season, thus inducing a high room occupancy rate throughout the year. While confronted with some of the performance indicators of the hotel sector in Goa, more than half of the Portuguese entrepreneurs that were interviewed showed interest in having further information, however this market clearly does not make part of the strategy of their firms. Only two companies stated the possibility of investing in Goa in a 5-10 year time span, one being interested in developing hotel and villas, and the other one exploring tourism real state. For that they consider recurring to partnerships, being quite interested in developing business relationships with local firms.

However, the little interaction that exists between Portugal and India, and specifically Goa, which was a Portuguese colony for over 500 years, thus sharing cultural and historical links, leads to a deficit in mutual knowledge and understanding. Despite the strong growth of the Indian market, not many Portuguese firms are exploiting this market's potential. This disinterest is explained by the restricted information that exists on the market, poor knowledge on the Indian culture, language barriers and the lack of networking. The





establishment of businesses relationships and the broadening of networking opportunities between Portuguese and Goan businessmen could invert this scenario.

One last specific objective intended to bring empirical evidence on how Portuguese tourism enterprises internationalise, namely to determine if they rely on partnerships while venturing in international markets, if these relationships are important in overcoming limited market knowledge for international expansion and what kind of constraints do they face while investing in other countries.

Portuguese tourism companies, although being involved in international operations in the domestic market, only started investing abroad in the late 1990s. This investment has been made towards Portuguese-speaking countries, being specially marked in Brazil, Mozambique and Cape Verde. The international expansion is still limited in terms of firms engaged in overseas operations, number of hotel ventures as well as countries covered. There is a geographical bias towards a few numbers of countries, unveiling that cultural proximity is an important determinant in the choice of FDI destination.

The empirical study conducted in Portugal aimed at 14 enterprises of different sizes and ages, with different types of ownership and on different levels of internationalisation. The small size of the sample was partly offset by the quality of the firm-level data. Through structured interviews targeting their chief executives, rich information was able to be gathered, enabling the presentation of some data on a case basis in order to gain a better insight into the phenomenon being researched. Results revealed that some of the companies started with their international activities very late after their inception. Only a few could be called international new ventures. There is even one case of a born-global company given that it does not possess any business in Portugal, having started its hotel operations abroad. For some companies it is more appropriate to speak about casual experiences rather than a foreign expansion strategy.

The main determinants to internationalisation are country-specific advantages, such as the tourism and business potential of the destination. Cultural and linguistic proximity is also regarded as an important determinant. Internal factors, such as market knowledge and the



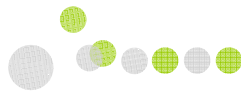
competences of the company are decisive factors as well. The main difficulties faced also relate to the destination market, namely the socio-economic and political situations. Internal limitations mainly related with human resources, firm size and international experience.

The study also enabled to gather information that shows foreign market selection and entry initiatives emanate from opportunities created through network contacts in which it is immersed, rather than solely from the strategic decisions of managers in the firm and their own proactive identification process. Hypothesis H1 and H2 thus found support in the findings. A considerable number of firms' initial foreign market selection and entry mode were triggered by opportunities presented by contacts in a formal or informal network. Relationships are also important in accessing local market knowledge. Networks in which firms are embedded represent a source of knowledge, either directly or indirectly, being capitalised for the internationalisation of the firm. Network theory offers a rich perspective on how and why the international development patterns of entrepreneurial firms occur. The interrelationships among a set of firms can alter not only the range of strategic options available, but also the resource base available for their pursuit.

### 8.3 Theoretical contributions and managerial implications

The present study certainly benefits from previous works, especially the ones concerning theoretical issues and concepts. Nonetheless, its focus is on a particular reality, adding to the understanding of the manner in which Portuguese firms internationalise in the tourism sector. The tourist industry is diverse, fragmented and dynamic, and it can be studied at a number of levels and from many perspectives. Being aware of that, but imposing limits that are understandable by time constraints, this work focuses on the hotel sector, relating, when possible, with others of interest.

In the academic sphere, this study can serve as a reference to enrich a field of study that is incipient in Portugal, filling a gap in the literature and providing a coherent framework for further research. It makes a contribution to the body of knowledge both in international business and tourism fields, by bringing empirical evidence of the internationalisation of the hotel sector. Having provided information at the level of individual firms has made it



possible to complement the still scant research done about hotel firms in this field. The conclusions enable to advance the knowledge of a reality that has been little explored in the Portuguese context. To our knowledge, it is pioneer in using the internationalisation network approach into the tourism sector, thus might serving as a reference to enrich this field of study. The theoretical framework of the expansion strategy of international hotels is supported by empirical results.

The findings have practical value for researchers and practitioners in the tourism field, thus having managerial implications. In the institutional and business sphere, this study may favour reflection as to what are the most relevant factors in market entry and mode of entry, and how these requirements are to be met. Hotel companies can benefit from a better understanding of the impact of networks on international market development. Future opportunities may emanate from network relationships, so they should pay more attention to how and with whom these relationships are established and managed. In addition, managers should successfully position the firms so that they have a wide array of relationships options open to them. The existing networks, as well as their ability to establish new network relationships, should be managed as a key competitive capability.

Another contribution of the thesis was the endeavour to unveil the broad picture of the internationalisation of the Portuguese hotel sector. The study broke new ground by undertaking the task of elaborating a comprehensive list of the Portuguese firms with international hotel operations and their respective ventures overseas. And it was also pioneer by engaging in a broad perspective, aimed at incorporating all hotel firms engaged in international hotel businesses and not just the big and well-know hotel chains, analysing the pre-internationalisation phase of each international venture in order to capture the setting in which decision was made. Besides targeting firms already internationalised, this study incorporated firms that were about to start overseas investment projects, thus capturing in first hand the whole process.

Given that there is a well-established body of theoretical knowledge, the research builds on previous work, but rather than simply looking at the dimensions previously studied, this thesis' approach differs from previous work, by reasoning about all the factors that might



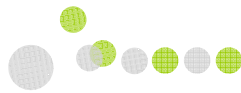
influence the internationalisation process, particularly network relationships. In addition, it tries to understand how interested Portuguese companies are in establishing businesses in different cultural and political settings, by presenting the case of Goa. Despite its long development as a tourist destination, in general terms, there is a scarcity of research devoted to the tourism industry in Goa. Only a few studies have been conducted and publications have remained limited. Overall, most of them consist in articles scattered in different publications, namely journals and reviews. This thesis contributes to the body of knowledge on this tourism destination and its divulgation in Portugal.

#### 8.4 Limitations and suggestions for future research

Although this thesis has made contributions, some limiting aspects of this research should be pointed out. The study was restricted to the hotel industry, specifically to those firms that were able to be identified as a result of several contacts with multiple entities, both in Portugal and abroad. However, not all countries were covered, either because there were no Portuguese business representations in those countries or because there was no response from the contacted entities.

The study also concentrated on firms that were able to be identified as possessing Portuguese capital, and excluded those firms whose capital source was unable to be verified. Omitting these firms from the survey might give a partial vision of the picture, however a reasonably good spread of respondents was present in the sample, with sufficient representation of different types of firms: small and big-sized, born-globals and late entrants, hotel chains and independent hotels, firms integrated in a business group and independent firms, hotel-specific firms and firms with other activities. Readers should be careful in generalising the findings to other industry groups and to firms whose characteristics differ from those of the current sample.

Several precautionary steps were undertaken in order to increase the response rate, such as having multiple contacts and assuring anonymity and confidentiality of individual responses. However, the use of non-random sampling became a necessity because the research was limited to the companies that agreed to participate in the study. This restriction could partially affect the findings. Tests were performed in order to determine



non-response effects on the results. Although the sample was representative of the population on the selected characteristics, respondents might differ on other characteristics and behaviour patterns compared to non-respondents. Due to the small size and characteristics of the sample, it was not possible to statistically test the hypotheses.

The researcher obtained the views about internationalisation from just one interlocutor within each firm<sup>1</sup>, because identifying all participants involved in the decision-making and decision-taking processes was impractical. The CEO or other individuals familiar with the firm's international strategy (past and future) were used as representing the official view. Given their responsibilities in the companies, these individuals are the best sources of information regarding the subject; however it is acknowledged that it might not have been the case in every situation.

The researcher limited the length and scope of the survey. We did not want to discourage potential respondents by making the survey too lengthy or by asking many open-ended questions. Therefore, the survey instrument involved a trade-off between the information needed and the quality of the collected information. Although the study provides information about how the firm internationalised and the role of network relationships, it does not provide information about the network *per se*. While attempting to integrate the network research stream in examining the internationalisation of firms, some aspects of other approaches might have been left out. As the thesis is mostly focused at the firm level several macro-theories, including the trade and foreign direct investment theories have not been included.

The firm's internationalisation is a complex process influenced by many factors. This thesis covered only some issues. The relationships between the parent company and its subsidiaries, or the relationships of the subsidiaries with other actors, can also influence the process of international expansion. These aspects were not covered in this study.

This thesis concentrated on the internationalisation of Portuguese firms in the hotel sector. As the importance of company and personal relationships varies in different industries and

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<sup>1</sup> However, as mentioned before, in some cases more than one person was interviewed.



markets, the impact of networks on enterprises' internationalisation may not be similar in other countries or sectors. This should be taken into account.

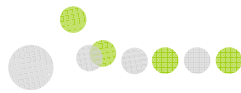
The empirical study in Goa attempted to characterise the hotel sector, but only mid-range and upscale hotels were analysed because they present the characteristics that might interest Portuguese companies. As such, only the views of these hoteliers were captured as potential partners.

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Finally, any research involving quantitative studies encounters the problem of obtaining statistical data. The most comprehensive source of statistics on Portuguese FDI is the BPstat database, published by the Bank of Portugal. When collecting statistical data some difficulties emerged. There is no available data on FDI in the hotel sector, the only available information pertains aggregate data. For the balance of payments statistics, the Bank of Portugal does not collect data on non-resident companies. However, such data is available under the international investment position. The international investment position reflects the position of assets and liabilities of the economy to the outside world, while statistics of the balance of payments reflect the economic transactions that occur between residents and non-residents for a certain period of time.

Similar problems were encountered when collecting data on/in Goa, where information was even harder to get. The GTD does not publish any data before 1973, and the available information is very generic, and does not make any reference to some important indicators. In addition, there is a big reluctance in providing data to outsiders. 'Not available' is a standard reply. This statement is only partly true because 'not available' is not only the standard reply but also often true. In general, if information is not publicly available, it is very difficult to obtain. Given previous experience in fieldwork in China, there was no culture clash since the researcher was already acquainted with Asian specificities and mindsets.

While analysing the main limitations of the study, some areas for further research were identified. First of all, it was impossible to study all tourism-related sectors. For that reason,

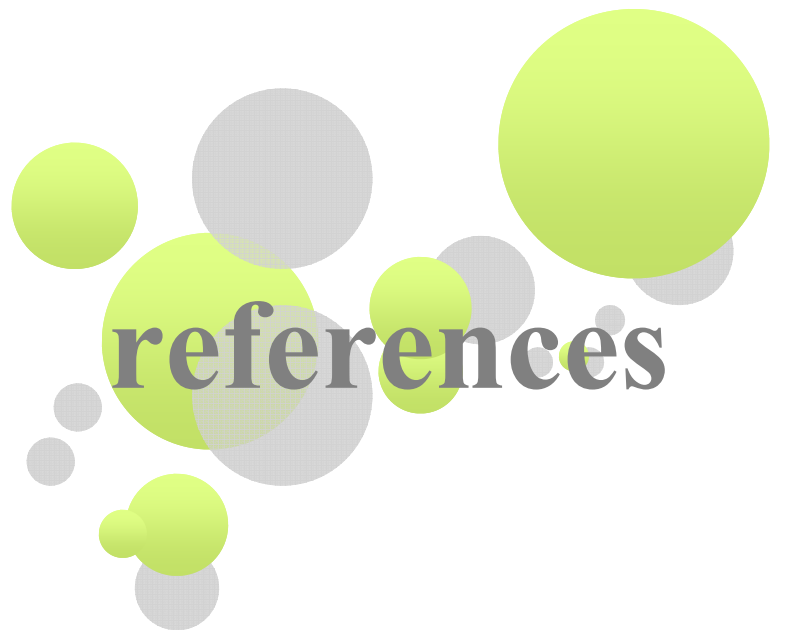


only the hotel sector, which plays a major role within the tourism industry, was analysed in detail. Similar studies should be applied also to other tourism industries.

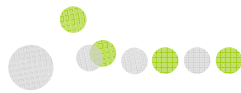
The analysis of the existing networks and linkages would be useful for an in-depth analysis. Further research that employs a network perspective should also be used to examine the network structure, in terms of its complementarity, composition (number and size of companies), geographic location, formality and social structure, as well as the influence of early network relationships on the internationalisation process, given that networks evolve with time.

Another interesting line for future research would be the analysis of the effects of information and communications technologies, especially the Internet, on network relationships and foreign market expansion by hotel firms. The characteristics of the companies' owners or managers should also be analysed in order to determine their influence in network relationship formation, and the extent of their impact on the decision to internationalise.

In terms of research approach, it is suggested that longitudinal studies may provide the most appropriate method for capturing the internationalisation and network development process over time. Case research and causal mapping would also be useful in this regard, allowing for collection of richly descriptive data in a chronological manner.



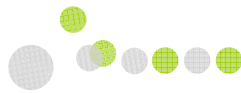




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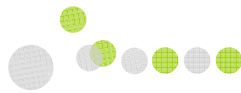
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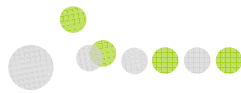


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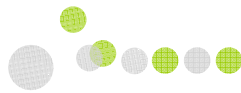


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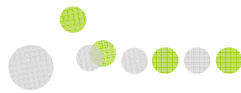




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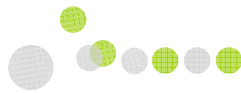
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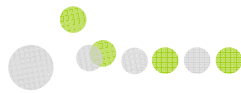


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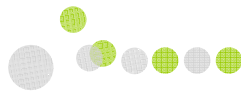


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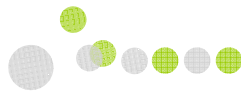




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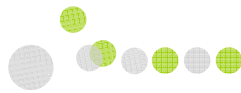
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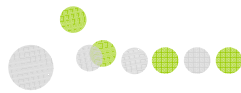


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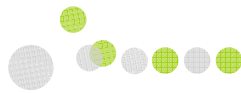


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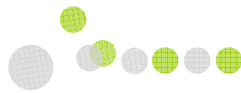




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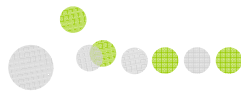
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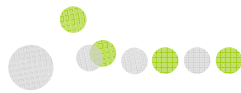


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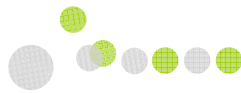




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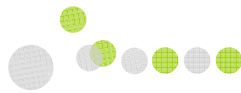
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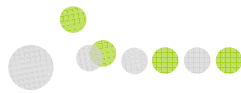


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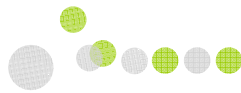


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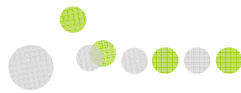




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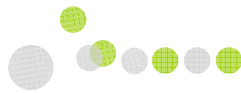
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# appendix 1

world's largest hotel  
companies

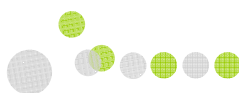


rank		company	headquarters	rooms	hotels
2008	2007				
1	1	InterContinental Hotels	UK	619,851	4,186
2	2	Wyndham Hotel	USA	592,880	7,043
3	3	Marriott International	USA	560,681	3,178
4	4	Hilton Hotels	USA	545,725	3,265
5	5	Accor	France	478,975	3,982
6	6	Choice Hotels International	USA	472,526	5,827
7	7	Best Western International	USA	305,000	4,000
8	8	Starwood Hotels & Resorts Worldwide	USA	284,800	942
9	9	Carlson Hotels Worldwide	USA	151,077	1,013
10	10	Global Hyatt	USA	114,332	375
11	11	Westmont Hospitality	USA	106,097	689
12	13	TUI AG/TUI Hotels & Resorts	Germany	83,728	297
13	17	Jin Jiang International Hotels	China	80,164	465
14	12	Golden Tulip Hospitality	Netherlands	76,779	788
15	18	The Rezidor Hotel	Belgium	76,740	361
16	14	Extended Stay Hotels	USA	76,384	686
17	15	Sol Melia	Spain	76,335	304
18	16	LQ Management	USA	75,832	721
19	19	Groupe du Louvre	France	61,077	856
20	20	Vantage Hospitality	USA	60,354	845
21	—	Home Inns	China	55,578	471
22	22	MGM MIRAGE	USA	49,919	17
23	21	NH Hoteles	Spain	49,677	341
24	24	Barcelo Hotels & Resorts	Spain	47,000	186
25	23	Interstate Hotels & Resorts	USA	46,448	226
26	25	Harrah's Entertainment	USA	38,000	35
27	28	Premier Inn	UK	38,000	568
28	27	Riu Hotels & Resorts	Spain	37,000	100
29	26	Red Roof Inn	USA	36,654	343
30	31	Iberostar Hotels & Resorts	Spain	36,000	100
31	30	Fairmont Raffles Hotels International	Canada	34,712	91
32	29	Walt Disney World	USA	34,000	38
33	32	Millennium & Copthorne Hotels	UK	33,726	119
34	35	Shangri-La Hotels and Resorts	China	27,987	58
35	34	Club Mediterranee	France	26,807	80
36	—	Travelodge Hotels	UK	25,000	370
37	37	Scandic Hotels	Sweden	24,898	138
38	36	Columbia Sussex	USA	24,448	70
39	38	Prince Hotels	Japan	22,210	58
40	41	Ocean Hospitalities	USA	20,598	136
41	42	Grupo Posadas	Mexico	19,800	110
42	45	White Lodging Services	USA	19,580	139
43	51	HK CTS Hotels	China	19,268	58
44	43	Four Seasons Hotels & Resorts	Canada	19,184	82
45	44	John Q. Hammons Hotels & Resorts	USA	19,021	78
46	40	JAL Hotels	Japan	18,833	59
47	62	Highgate Hotels	USA	18,321	36
48	48	Jinling Hotels & Resorts	China	18,075	73
49	46	Drury Hotels	USA	16,981	124
50	—	Barony Hotels & Resorts Worldwide	UK	16,369	56
51	159	Grupo Cubanacan	Cuba	15,855	74
52	65	Husa Hotels Group	Spain	15,632*	144*
53	55	Moevenpick Hotels & Resorts	Switzerland	15,066	67
54	47	The Procaccianti Group	USA	15,025	57
55	52	Steigenberger Hotels	Germany	14,890	84
56	60	Kempinski Hotels	Switzerland	14,573	57





rank		company	headquarters	rooms	hotels
2008	2007				
57	57	Maritim Hotels	Germany	14,500	49
58	39	Omni Hotels	USA	14,500	43
59	88	GreenTree Inns Hotel Management Group	China	14,481	131
60	50	Guangdong Hotel Management Holdings.	China	14,342	51
61	73	APA Hotel	Japan	14,032	64
62	54	Tokyu Hotels	Japan	13,723	53
63	64	America's Best Franchising	USA	13,697	203
64	61	HNA Hotels & Resorts	China	13,628	46
65	56	American Property Management Corp.	USA	13,550	45
66	59	Southern Sun Hotels	South Africa	13,514	81
67	58	Longhouse Hospitality/Park Management	USA	13,369	155
68	—	Pyramid Hotel Group	USA	12,983	39
69	66	Gaviota	Cuba	12,785	42
70	49	Hospitality International	USA	12,772	276
71	71	Capital Hotel Management	USA	12,760	21
72	68	AmericInn	USA	12,453	219
73	63	H10 Hotels	Spain	12,377	40
74	67	Orbis	Poland	12,000	64
75	218	Atlantica Hotels International	Brazil	11,883	70
76	74	Solare Hotels and Resorts	Japan	11,800	64
77	77	Taj Hotels, Resorts & Palaces	India	11,453	95
78	76	Sunroute	Japan	11,285	78
79	70	Fujita Kanko	Japan	11,278	43
80	—	G.S.M. Hoteles	Spain	11,195*	89*
81	—	Hoteles Islazul	Cuba	11,192	86
82	72	Island Hospitality Management Inc.	USA	11,018	80
83	—	New Century Tourism Group	China	11,017	33
84	82	Sage Hospitality	USA	10,872	52
85	80	Pandox AB	Sweden	10,847	45
86	93	IHG ANA Hotels Group	Japan	10,404	36
87	69	Fiesta Hotel Group	Spain	10,351	45
88	78	Rica Hotels	Norway	10,000	80
89	33	Tharaldson Lodging	USA	9,861	219
90	84	Protea Hospitality	South Africa	9,790	126
91	145	Rotana Hotel Management Corp	UAE	9,718	38
92	79	Washington Hotel	Japan	9,677	32
93	90	Davidson Hotel	USA	9,657	34
94	89	Hospitality Alliance	Germany	9,451	70
95	83	Outrigger Enterprises Group	USA	9,404	37
96	85	Occidental Hotels & Resorts	Spain	9,361	27
97	95	AC Hotels	Spain	9,300	91
98	87	Princess Hotels & Resorts	Spain	9,300	19
99	94	Pestana Hotels & Resorts	Portugal	9,143	88
100	—	Aimbridge Hospitality	USA	9,015	47
101	86	Red Lion Hotels	USA	8,910	47
102	—	Royco Hotels	Canada	8,886	108
103	92	Danubius Hotels Group	Hungary	8,784*	56*
104	101	Eurostars Hotels (Hotusa Group)	Spain	8,749	87
105	96	HEI Hotels & Resorts	USA	8,632	31
106	97	Kimpton Hotel & Restaurant Group	USA	8,593	45
107	105	Loews Hotels	USA	8,562	18
108	103	Hankyu-Hanshin-Daiichi Hotel Group	Japan	8,560	45
109	—	Crescent Hotels & Resorts	USA	8,520	49
110	98	Guoman Hotel Management Ltd.	UK	8,492	38
111	126	Swiss-Belhotel International	China	8,481	50
112	104	Noble Investment Group	USA	8,152	42



rank		company	headquarters	rooms	hotels
2008	2007				
113	107	Kokusai Kogyo Hotel Group	Japan	8,102	22
114	130	Gaylord Hotels	USA	8,099	5
115	—	Joy Group	Turkey	8,033	19
116	117	GF Management	USA	7,955	51
117	191	Royal Host Hotels & Resorts	Canada	7,900*	122*
118	102	Remington	USA	7,819	43
119	—	Lopesan Hotel Group	Spain	7,626	20
120	100	Lodgian	USA	7,577	41
121	135	Prism Hotels & Resorts	USA	7,531	39
122	144	Hostmark Hospitality Group	USA	7,420	36
123	109	Tishman Hotel	USA	7,390	11
124	152	De Vere Group	UK	7,360*	58*
125	111	Restel Hotel Group	Finland	7,353	46
126	114	New Otani Company	Japan	7,303	23
127	116	LTI International Hotels	Germany	7,236*	23*
128	—	Boomerang Hotels	USA	7,095	85
129	136	Destination Hotels & Resorts	USA	7,021	33
130	—	Intermountain Management	USA	6,819	71
131	113	Hotel Okura	Japan	6,770	22
132	120	Mandarin Oriental Hotel Group	China	6,712	22
133	118	Britannia Hotels	UK	6,699*	33*
134	161	Orascom Hotels & Development	Egypt	6,559	31
135	132	Concord Hospitality Enterprises	USA	6,445	51
136	129	ITC-Welcomgroup	India	6,441	102
137	119	Winegardner & Hammons	USA	6,426	26
138	124	First Hotels	Norway	6,395	46
139	123	Alliance Hospitality Management	USA	6,377	45
140	122	Rim Hospitality	USA	6,344	47
141	125	Rosen Hotel & Resorts	USA	6,337	7
142	121	Rydges Hotels & Resorts	Australia	6,200	0
143	158	Marshall Management	USA	6,156	44
144	137	Dimension Development Company	USA	6,125	39
145	—	JHM Hotels	USA	6,076	37
146	140	Stonebridge Companies	USA	6,040	43
147	108	Windsor Hospitality Group	USA	6,005	30
148	183	Kerzner International	Bahamas	5,984	9
149	133	Richfield Hospitality	USA	5,955	29
150	—	The Summit Group	USA	5,949	63
151	99	Driftwood Hospitality Management	USA	5,945	26
152	131	Atahotels	Italy	5,940*	23*
153	141	Palace Resorts	USA	5,885	11
154	139	Horizon Hotels	USA	5,850	27
155	167	Austria Trend Hotels & Resorts	Austria	5,838	33
156	185	First Hospitality Group	USA	5,764	38
157	134	Coast Hotels & Resorts	Canada	5,756	40
158	75	Sokotel Oy	Finland	5,697	28
159	142	Tianlun International Hotels	China	5,613	23
160	147	Camino Real Hotels & Resorts	Mexico	5,525	27
161	150	Pan Pacific Hotels and Resorts	Singapore	5,505	16
162	149	Mirvac Hotels & Resorts	Australia	5,500	42
163	143	Fattal Hotels	Israel	5,500*	20*
164	192	Regal Hotels International	China	5,500	7
165	165	Dusit International	Thailand	5,422	20
166	154	CSM Lodging	USA	5,414	38
167	146	Sonesta International Hotels Corp	USA	5,368	25
168	153	Kintetsu Hotel Systems (Miyako Hotels)	Japan	5,340	19



rank		company	headquarters	rooms	hotels
2008	2007				
168	153	Kintetsu Hotel Systems (Miyako Hotels)	Japan	5,340	19
169	156	Marcus Hotels & Resorts	USA	5,301	20
170	151	Budget Host International	USA	5,276	146
171	212	Janus Hotels & Resorts	USA	5,178	31
172	215	Argyle Metro Hotels & Resorts	Australia	5,171	28
173	171	Ramada Jarvis Hotels	UK	5,150	43
174	155	Louis Hotels Public	Cyprus	5,097	20
175	177	Ishin Hotels Group	Japan	5,065	22
176	—	Larry Blumberg & Associates	USA	5,033	56
177	163	Sandman Hotel Group	Canada	5,022	35
178	166	The Silken Hotel Group	Spain	5,013	35
179	157	Paradores de Turismo	Spain	5,000	93
180	148	Warwick International Hotels	France	5,000	40
181	182	Pacifica Host Hotels	USA	4,935	29
182	187	Sandals	Jamaica	4,910	18
183	175	Kineth Hospitality Companies	USA	4,865	36
184	179	City Lodge Hotels	South Africa	4,859	43
185	238	Dedeman Hotels & Resorts International	Turkey	4,793	22
186	—	Mitsis Hotels	Greece	4,787	16
187	222	Centara Hotels & Resorts (formerly Central)	Thailand	4,774	19
188	176	Gloria Hotels & Resorts	China	4,682	17
189	200	Lindner Hotels	Germany	4,585	33
190	180	Shilo Management Corp.	USA	4,563	41
191	265	Premier Resorts International	USA	4,517	22
192	227	Joie de Vivre Hotels	USA	4,508	36
193	—	Aston Hotels & Resorts	USA	4,500	25
194	188	Meyer Jabara Hotels	USA	4,499	24
195	184	SuperClubs Super-Inclusive Resorts	Jamaica	4,490	17
196	174	Sunburst Hospitality Corp.	USA	4,457	31
197	197	Macdonald Hotels	UK	4,424	46
198	160	Benchmark Hospitality International	USA	4,354	28
199	172	Dolce Hotels and Resorts	USA	4,328	23
200	173	Mitsui Kanko Group	Japan	4,320	21
201	81	Vila Gale Hotels	Portugal	4,258	18
202	178	The Oberoi Group	India	4,247	27
203	258	JJW Hotels & Resorts	UK	4,208	52
204	189	Cooper Hotels	USA	4,144	21
205	—	Blue Tree Hotels & Resorts	Brazil	4,072	25
206	195	Stanford Hotels Corp.	USA	4,056	13
207	196	Grand Hotels International	Singapore	4,041	21
208	217	Wright Investment Properties	USA	4,011	24
209	210	Shaner Hotel Group	USA	3,982	28
210	—	CHI Hotels & Resorts	Malta	3,937	12
211	169	Sun International	South Africa	3,920	23
212	205	New Castle Hotels	USA	3,820	26
213	—	Domina Hotel Group	Italy	3,802*	19*
214	203	Amari Hotels and Resorts	Thailand	3,792	17
215	206	Starhotels SpA	Italy	3,710*	22*
216	199	Hunguest Hotels	Hungary	3,707	20
217	231	Hospitality Management Corp.	USA	3,703	22
218	220	Morgans Hotel Group	USA	3,685	12
219	164	Tarsadia Hotels	USA	3,609	13
220	230	Quorum Hotels & Resorts	USA	3,575	12
221	209	Daly Seven	USA	3,569	36
222	170	Othon Hotels SA	Brazil	3,569	28
223	204	Integral Hospitality Solutions	USA	3,558	40



rank		company	headquarters	rooms	hotels
2008	2007				
224	239	Nacional Inn	Brazil	3,543	28
225	168	Langham Hotels International	China	3,542	8
226	—	Coakley & Williams Hotel Management Co.	USA	3,539	23
227	291	Furama Hotels Intl. Management	Singapore	3,523	16
228	207	Waterford Hotel Group	USA	3,506	24
229	208	Vagabond Franchise System	USA	3,505	44
230	186	Regency Hotel Management	USA	3,473	23
231	—	Marco Polo Hotels	China	3,468	9
232	214	B.F. Saul Company	USA	3,437	19
233	211	Hotel Lotte Company	Korea	3,398*	5*
234	252	Thayer Lodging Group	USA	3,391*	15*
235	223	Imperial London Hotels	UK	3,355*	6*
236	128	Aramark Harrison Lodging	USA	3,340	17
237	224	Castle Resorts & Hotels	USA	3,275	30
238	253	SREE Hotels LLC	USA	3,274	26
239	234	Imperial Hotels Group	UK	3,263*	17*
240	213	Rihga Royal Hotels	Japan	3,238	10
241	247	Newport Hospitality Group	USA.	3,179	27
242	225	ZMC Hotels	USA	3,169	31
243	194	Rendezvous Hotels (Australia)	Australia	3,133	14
244	229	Meritus Hotels & Resorts	Singapore	3,108	6
245	233	MMI Hotel Group	USA	3,084	18
246	249	The North Central Group	USA	3,082	24
247	236	Jumeirah Group	UAE	3,065	11
248	299	Peabody Hotel Group	USA	3,065	9
249	216	Lane Hospitality	USA	3,064	20
250	268	Hotel Equities	USA	3,039	42
251	259	Hotéis Transamérica	Brazil	3,028	19
252	237	The Dow Hotel	USA	3,021	10
253	274	Shamin Hotels	USA	2,981	29
254	243	MOA Hospitality	USA	2,960	33
255	242	Hotel Equatorial Group	Malaysia	2,957	7
256	284	HPL Hotels & Resorts	Singapore	2,944	11
257	228	Berjaya Hotels & Resorts	Malaysia	2,921*	13*
258	270	Legacy Hotels & Resorts	South Africa	2,887	22
259	255	The Generation Companies	USA	2,877	26
260	293	African Sun	Zimbabwe	2,875	20
261	232	Aqua Sol Hotels	Cyprus	2,856*	20*
262	271	Banyan Tree Hotels & Resorts	Singapore	2,856	25
263	193	The Hotel Group	USA	2,831	24
264	250	Larkspur Hotels & Restaurants	USA	2,801	23
265	241	Orea Hotels	Czech Republic	2,800	25
266	273	Tecton Hospitality	USA	2,787	21
267	251	The Peninsula Hotels	China	2,781	8
268	262	Denihan Hospitality Group	USA	2,749	11
269	256	KSL Resorts	USA	2,735*	7*
270	261	Bourbon	Brazil	2,674	11
271	260	Vista Host	USA	2,661	23
272	272	Bayview International Hotels & Resorts	Singapore	2,649	11
273	226	Three Cities Group	South Africa	2,584	38
274	254	Albeck & Zehden Hotels	Germany	2,581*	11*
275	264	Raymond Management	USA	2,554	19
276	266	CUSA LLC (Cornerstone USA)	USA	2,500	20
277	283	Reval Hotels	Estonia	2,500	12
278	—	InnSuites Hotels Inc.	USA	2,485*	16*
279	269	Bristol Hotéis & Resorts	Brazil	2,463	21



rank		company	headquarters	rooms	hotels
2008	2007				
280	246	Gal-Tex Hotel	USA	2,429*	12*
281	219	Dan Hotels Corp. Ltd.	Israel	2,428	13
282	278	Pacifica Hotel Co.	USA	2,386	25
283	279	Executive Hotels & Resorts	Canada	2,385*	16*
284	292	Sarovar Hotels & Resorts	India	2,396	33
285	—	Dorchester Collection	UK	2,196	7
286	280	Stamford Hotels and Resorts	Australia	2,185	9
287	289	Lucien Barriere Hotels & Casinos	France	2,149*	14*
288	248	Noble House Hotels & Resorts	USA	2,109	12
289	—	Donohoe Hospitality Services	USA	2,085	9
290	288	HLC Hotels	USA	2,069	22
291	245	Focus Hospitality Services	USA	2,044*	22*
292	—	Mercury Hotels International	USA	2,024	12
293	296	Kelly Inns	USA	2,015	19
294	—	Lionstone Hotels & Resorts	USA	2,011	7
295	290	Family Inns of America	USA	2,000	20
296	244	Sunway International Hotels & Resorts	Malaysia	1,966	9
297	202	Rosewood Hotels & Resorts	USA	1,926	17
298	—	MWB Group Holdings	UK	1,900*	26*
299	221	Commonwealth Hotels	USA	1,868	15
300	—	Oak Hotels Inc. (was Oak Hospitality)	USA	1,858	13

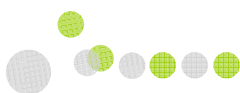
\* HOTELS estimate

Source: Gale (2009)



# appendix 2

semi-structured interviews to  
key stakeholders in Goa



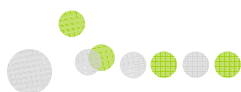
1. What are the main benefits generated by the tourism sector in Goa?
2. And the main negative aspects?
3. What measures have been taken to ensure that these negative impacts are minimised?
4. What adjectives would you use to characterise the development of the tourism in Goa?
5. What are the main strengths of Goa as a tourist destination?
6. In your opinion what are the main constraints to tourism development?
7. What external factors do you believe might affect tourism in Goa?
8. In your opinion what would constitute future opportunities for tourism in Goa and what type of investment should be done to seize these opportunities?
9. Please name tourism businesses in Goa with foreign investment and specify their form of investment.
10. Is there any policy to promote foreign investment in Goa and if so, what are the measures to attract it? In what areas should it be done?
11. What are the procedures to set up a foreign investment in Goa and which entities should be contacted?
12. In your opinion what might constitute the main difficulties for foreign investors?
13. In tourism, in what areas does the public sector intervene? What should be the role of the private sector?
14. To what extent national policies affect tourism in Goa? Can you point the most important ones that have had a considerable impact in tourism in Goa?
15. What are the priorities of the government in terms of market segments, types of tourism, investment and infrastructures?  
How significant is the Portuguese market for the tourism in Goa today? Do you think that some measures need to be made to attract more Portuguese tourists?
16. What type of measures? What would be the products that would best suit their needs?
17. Is there any opportunity for Portuguese investment in Goa? What type of investments, where and in what areas?
18. How open tourism stakeholders are to business partnerships?
19. In your opinion what are the more attractive and profitable areas (in terms of products and areas)?
20. What makes Goa attractive for investment? What makes it different from other destinations?



# appendix 3

interview-questionnaire to  
mid-range and upscale  
hotels in Goa





This survey is part of a research programme conducted at the University of Aveiro (Portugal) and the University of Goa. The aim of the study is to find out more about the structure of the hotel sector and determine opportunities for future investment in Goa. We kindly request you to collaborate in this research - your participation is essential for its successful conclusion! We appreciate very much if you could take some minutes of your time to answer the following questions. **All responses will be treated confidentially.**

## SECTION A | Characterisation of the establishment

### 1 | Category

A ☐ B ☐ C ☐

### 2 | Star category

5 star deluxe ☐ 5 star ☐ 4 star ☐ 3 star ☐ Heritage ☐

### 3 | Year of opening \_\_\_\_\_

### 4 | Location

Pernem ☐ Tiswadi ☐ Satari ☐ Mormugao ☐ Sanguem ☐ Canacona ☐  
Bardez ☐ Bicholim ☐ Ponda ☐ Salcete ☐ Quepem ☐

### 5 | Total capacity of the establishment

Rooms \_\_\_\_\_ → \_\_\_\_\_ Beds  
Apartments or cottages \_\_\_\_\_ → \_\_\_\_\_ Beds

### 6 | Facilities

(Please choose all the options that apply to each case.)

#### Rooms

(If the establishment has different types of rooms, please only choose the options that apply to the majority of them.)

AC ☐ Bathroom ☐  
TV ☐ Phone ☐

#### Public areas

Bar <input type="checkbox"/>	Parking <input type="checkbox"/>	Conference hall <input type="checkbox"/>
Restaurant <input type="checkbox"/>	Health spa <input type="checkbox"/>	Business centre <input type="checkbox"/>
Swimming pool <input type="checkbox"/>	Gymnasium <input type="checkbox"/>	Shopping arcades <input type="checkbox"/>
Golf course <input type="checkbox"/>	Tennis court <input type="checkbox"/>	Other sport facilities <input type="checkbox"/>
Laundry service <input type="checkbox"/>	Money changing <input type="checkbox"/>	Entertainment facilities <input type="checkbox"/>
Other(s) <input type="checkbox"/>	(Please specify) _____	

### 7 | The establishment is a...

...sole proprietorship. <input type="checkbox"/>	...partnership firm. <input type="checkbox"/>
...private limited company. <input type="checkbox"/>	...public limited company. <input type="checkbox"/>
...cooperative. <input type="checkbox"/>	...joint Hindu family business. <input type="checkbox"/>



## 8 | The capital invested is... (Please tick as appropriate)

...Goan. ☐ \_\_\_\_\_ %  
 ...from other parts of India. ☐ \_\_\_\_\_ %  
 ...foreign. ☐ \_\_\_\_\_ %

(Please specify the percentage of the capital invested according to its origin.)

In case of any foreign investment, please specify the country(ies) of origin:

## 9 | The establishment is... (Please tick as appropriate)

398 ...managed by the owner or by family members.  
 ...managed by the company.  
 ...under a management contact with other company.  
 ...under a franchising agreement.

☐  
☐  
☐  
☐

## 10 | Employees

	Full-time	Part-time
Total number		
Tourist season (Oct. - mid Dec. and mid Jan. - mid Jun.)	_____	_____
Peak season (Mid Dec. - mid Jan.)	_____	_____
Off season (Mid Jun. - Sept.)	_____	_____
Percentage of employees with education/training in tourism	_____	_____

## 11 | Annual turnover (in INR)

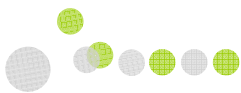
0-14 lakhs	<input type="checkbox"/>	15-39 lakhs	<input type="checkbox"/>	40-74 lakhs	<input type="checkbox"/>	75-99 lakhs	<input type="checkbox"/>
1-4 crores	<input type="checkbox"/>	5-9 crores	<input type="checkbox"/>	10-14 crores	<input type="checkbox"/>	15-19 crores	<input type="checkbox"/>
20-24 crores	<input type="checkbox"/>	25-29 crores	<input type="checkbox"/>	30-34 crores	<input type="checkbox"/>	35 crores or more	<input type="checkbox"/>

## SECTION B | Characterisation of the company

Please note that this section refers to the company as a whole and not to the individual establishment characterised in the previous section.

## 12 | Is the company affiliated with any tourism association?

Yes ☐ Which one(s)? \_\_\_\_\_  
 \_\_\_\_\_  
 No ☐ Why? \_\_\_\_\_  
 \_\_\_\_\_



13 | In your opinion what are the main advantages of being affiliated with an association?  
(Please think in general terms and state only the three major advantages.)

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_

14 | In your opinion what are the main disadvantages of being affiliated with an association? (Please think in general terms and state only the three major disadvantages.)

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_

15 | The main objectives of the company are...

(Please select the three main objectives by writing 1 for the main objective, 2 for the second main objective and 3 for the third main objective.)

- |                  |       |                                    |       |
|------------------|-------|------------------------------------|-------|
| ...to grow.      | _____ | ...to increase profits.            | _____ |
| ...to innovate.  | _____ | ...to improve the service quality. | _____ |
| ...to survive.   | _____ | ...to consolidate the business.    | _____ |
| Other(s)         | _____ |                                    | _____ |
| (Please specify) | _____ |                                    | _____ |

Please note that in this questionnaire the term relationship will be used to designate regular, cross-sectoral interactions between parties based on at least some agreed rules or norms, intended to address a common issue or to achieve a specific policy goal or goals.

16 | Has the company ever established relationships with...

- |                             | Yes                      | No                       |
|-----------------------------|--------------------------|--------------------------|
| ...local companies?         | <input type="checkbox"/> | <input type="checkbox"/> |
| ...national companies?      | <input type="checkbox"/> | <input type="checkbox"/> |
| ...international companies? | <input type="checkbox"/> | <input type="checkbox"/> |

17 | How willing would the company be in establishing relationships in the future with...

- |                             | Very willing             | Quite willing            | Moderately willing       | Not very willing         | Not willing at all       | Do not know/No answer    |
|-----------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| ...local companies?         | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| ...national companies?      | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| ...international companies? | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

18 | How interested the company would be in establishing relationships with Portuguese companies?

- |                          |                          |                          |                          |                          |                          |
|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Very interested          | Quite interested         | Moderately interested    | Not very interested      | Not interested at all    | Do not know/No answer    |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |



**19 | How willing would the company be in establishing relationships with...** (Please note that 5=very willing; 4=quite willing; 3=moderately willing; 2=not very willing; 1=not willing at all; 0=do not know, no answer.)

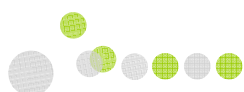
	5	4	3	2	1	0
...other accommodation establishments?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
...food and beverage establishments?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
...transportation companies?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
...tour operators and travel agencies?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
...companies engaged in cultural activities?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
...companies engaged in sport activities?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
...companies engaged in other leisure activities?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
...governmental entities?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**20 | How would you classify the benefits gained by the enterprise in joining a relationship with other organisation(s)?**

Will benefit very much	Will benefit a fair amount	Will have some benefit	Will have little benefit	Will have no benefit at all	Do not know/ No answer
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**21 | How would you consider the importance of joining a relationship with other organisation(s) to...**

	Very important	Fairly important	Important	Slightly important	Not important at all	Do not know/No answer
...attain the objectives of the company?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
...set service and quality standards?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
...develop innovative products?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
...provide technical support?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
...overcome trade and investment barriers?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
...protect consumers?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
...deal with competition?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
...enhance technological innovation?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
...provide training and education programmes?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
...improve productivity and innovation?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
...improve marketing efficiency?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
...improve market coverage and reach?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
...access new markets?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
...obtain investment and funding?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
...improve yield?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>



## SECTION C | Characterisation of the guests

22 | The majority of the guests of the establishment are... (Please choose only one answer)

...package tourists. ☐ ...independent travellers. ☐

23 | The guests of the establishment are...

(Please specify the percentage of domestic and international guests)

Domestic \_\_\_\_\_ %

(For each category prioritise your answer by writing 1 for the main market, 2 for the second main market, 3 for the third main market, and so on.)

Goan residents \_\_\_\_\_

Goan non-residents \_\_\_\_\_

Indian nationals from Maharashtra \_\_\_\_\_

Indian nationals from Karnataka \_\_\_\_\_

Indian nationals from other parts of India \_\_\_\_\_

International \_\_\_\_\_ %

(Please select only five markets, by writing 1 for the main market, 2 for the second main market, 3 for the third main market, and so on.)

UK \_\_\_\_\_ Finland \_\_\_\_\_

Germany \_\_\_\_\_ Russia \_\_\_\_\_

Sweden \_\_\_\_\_ Switzerland \_\_\_\_\_

France \_\_\_\_\_ USA \_\_\_\_\_

Other(s) \_\_\_\_\_  
(please specify) \_\_\_\_\_

401

24 | At the moment how significant is the Portuguese market to your business?

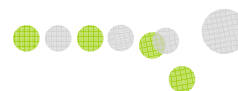
Very significant	Fairly significant	Significant	Slightly significant	Not significant at all	Do not know/ No answer
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

25 | How willing would you be to do something to attract more Portuguese tourists?

Very willing	Quite willing	Moderately willing	Not very willing	Not willing at all	Do not know/ No answer
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

26 | In your perception what are the main motives to visit Goa of the guests staying in your establishment? (Please select only the three main motives by writing 1 for the main motive, 2 for the second main motive and 3 for the third main motive.)

Sea, sand and sun	_____	Natural environment	_____
Culture and historical monuments	_____	Business and conferences	_____
Honeymoon and weddings	_____	Food and drinks	_____
Events	_____	Friends and relatives	_____
Other(s)	_____		_____
(Please specify)	_____		_____



27 | Please write down the information according to each case:

		Tourist season	Peak season	Off season
Average length of stay (nights)	Domestic tourists	<hr/>	<hr/>	<hr/>
	International tourists	<hr/>	<hr/>	<hr/>
Average daily spending (INR)	Domestic tourists	<hr/>	<hr/>	<hr/>
	International tourists	<hr/>	<hr/>	<hr/>
Room occupancy rate (%)		<hr/>	<hr/>	<hr/>

## SECTION D | Perceptions on the tourism sector in Goa

28 | What do you consider to be the main constraints to tourism in Goa? (Please select the five main constraints by writing 1 for the main constraint, 2 for the second main constraint, 3 for the third main constraint, 4 for the fourth main constraint and 5 for the fifth main constraint.)

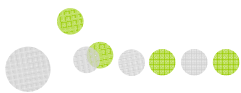
Poor transportation system	<hr/>	Inefficient public policies	<hr/>
Inadequate basic infrastructures	<hr/>	Inexistence of financial support schemes	<hr/>
Lack of entertainment facilities	<hr/>	Bureaucracy	<hr/>
Lack of emphasis on product quality	<hr/>	Corruption	<hr/>
Ineffective communication systems	<hr/>	Unskilled human resources	<hr/>
Other(s)	<hr/>		<hr/>
(Please specify)	<hr/>		<hr/>

29 | In your opinion, how well does the government perform its task with regard to tourism?

Very well	Well	Adequately	Poorly	Very Poorly	Do not know/ No answer
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

30 | What do you consider to be the most attractive types of tourism to develop in the future? (Please select the five most attractive products by writing 1 for the most attractive, 2 for the second most attractive, 3 for the third most attractive, 4 for the fourth most attractive and 5 for the fifth most attractive.)

Cultural/heritage tourism	<hr/>	Gastronomy	<hr/>
Education/scientific tourism	<hr/>	Ecotourism	<hr/>
Beach tourism	<hr/>	Religious tourism	<hr/>
Village tourism	<hr/>	Business tourism	<hr/>
Health tourism	<hr/>	Adventure tourism	<hr/>
Meetings, incentives, conventions and events	<hr/>	Golf	<hr/>
Other(s)	<hr/>	Marine tourism	<hr/>
(Please specify)	<hr/>	Sports tourism	<hr/>



31 | What are the most profitable tourist market segments in Goa? (Please prioritise your answer by writing 1 for the most profitable, 2 for the second most profitable, 3 for the third most profitable and 4 for the fourth most profitable.)

Independent domestic travellers	_____	Domestic package tourists	_____
Independent international travellers	_____	International package tourists	_____

32 | What should be done to attract the most profitable market segments to Goa?

33 | In your opinion, in the future, what will be the most profitable/attractive geographical areas for tourism in Goa? (Please select only three options by writing 1 for the most profitable/attractive, 2 for the second most profitable/attractive and 3 for the third most profitable/attractive.)

Pernem	_____	Tiswadi	_____	Satari	_____	Mormugao	_____	Sanguem	_____	Canacona	_____
Bardez	_____	Bicholim	_____	Ponda	_____	Salcete	_____	Quepem	_____		

34 | Please write below any comment you would like to make.

Thank you very much for your collaboration!



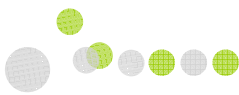
Zélia Breda  
Department of Economics, Management and Industrial Engineering  
University of Aveiro  
3810-193 Aveiro  
Portugal  
zelia@ua.pt



# appendix 4

pre-test of the interview-  
questionnaire to mid-range  
and upscale hotels in Goa





This survey is part of a research programme conducted at the University of Aveiro (Portugal) and the University of Goa. The aim of the study is to find out more about the structure of the hotel sector and determine opportunities for future investment in Goa. We kindly request you to collaborate in this research - your participation is essential for its successful conclusion! We appreciate very much if you could take some minutes of your time to answer the following questions. **All responses will be treated confidentially.**

## SECTION A | Characterisation of the establishment

### 1 | Category

A ☐ B ☐ C ☐

### 2 | Star category

5 star deluxe ☐ 5 star ☐ 4 star ☐ 3 star ☐ Heritage ☐

### 3 | Year of opening \_\_\_\_\_

### 4 | Location

Pernem ☐ Tiswadi ☐ Satari ☐ Mormugao ☐ Sanguem ☐ Canacona ☐  
Bardez ☐ Bicholim ☐ Ponda ☐ Salcete ☐ Quepem ☐

### 5 | Total capacity of the establishment

Rooms \_\_\_\_\_ → \_\_\_\_\_ Beds  
Apartments or cottages \_\_\_\_\_ → \_\_\_\_\_ Beds

### 6 | Facilities

(Please choose all the options that apply to each case.)

#### Rooms

(If the establishment has different types of rooms, please only choose the options that apply to the majority of them.)

AC ☐ Bathroom ☐  
TV ☐ Phone ☐

#### Public areas

Bar <input type="checkbox"/>	Parking <input type="checkbox"/>	Conference hall <input type="checkbox"/>
Restaurant <input type="checkbox"/>	Health spa <input type="checkbox"/>	Business centre <input type="checkbox"/>
Swimming pool <input type="checkbox"/>	Gymnasium <input type="checkbox"/>	Shopping arcades <input type="checkbox"/>
Golf course <input type="checkbox"/>	Tennis court <input type="checkbox"/>	Other sport facilities <input type="checkbox"/>
Laundry service <input type="checkbox"/>	Money changing <input type="checkbox"/>	Entertainment facilities <input type="checkbox"/>
Other(s) <input type="checkbox"/>	(Please specify) _____	

### 7 | The establishment is a...

Group ☐ Only with tourism related activities ☐ Company ☐ Entrepreneur ☐  
Also with other activities ☐ Other ☐ (Please specify) \_\_\_\_\_



## 8 | Investment (Please tick as appropriate)

Solely owned ☐ Please specify: Local capital ☐ National capital ☐ Foreign capital ☐  
 Joint venture ☐ Please specify: Local \_\_\_\_\_ % National \_\_\_\_\_ % Foreign \_\_\_\_\_ %

In either cases, if any foreign investment, please specify the country(ies) of origin:

\_\_\_\_\_

## 9 | The establishment is... (Please tick as appropriate)

...managed by the owner or by family members. ☐  
 ...managed by one employee. ☐  
 ...managed by a management team. ☐  
 ...managed by a local branch of the company/group. ☐  
 ...directly managed by the head office of the company/group. ☐  
 ...under a management contact with other company. ☐  
 ...a result of a franchising agreement. ☐

☐  
☐  
☐  
☐  
☐  
☐  
☐

## 10 | Employees

	Full-time	Part-time
Total number		
Tourist season (Oct. - mid Dec. and mid Jan. - mid Jun.)	_____	_____
Peak season (Mid Dec. - mid Jan.)	_____	_____
Off season (Mid Jun. - Sept.)	_____	_____
Percentage of employees with education/training in tourism	_____	_____

11 | Annual turnover (in INR) \_\_\_\_\_

## SECTION B | Characterisation of the company

Please note that this section refers to the company as a whole and not to the individual establishment characterised in the previous section.

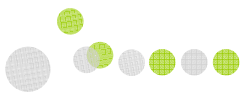
## 12 | Is the company affiliated with any tourism association?

Yes ☐ Which one(s)? \_\_\_\_\_

No ☐ Why? \_\_\_\_\_

## 13 | In your opinion what are the main advantages of being affiliated with an association? (Please think in general terms and state only the three major advantages.)

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_



14 | In your opinion what are the main disadvantages of being affiliated with an association? (Please think in general terms and state only the three major disadvantages.)

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_

15 | The main objectives of the company are...

(Please select the three main objectives by writing 1 for the main objective, 2 for the second main objective and 3 for the third main objective.)

...to grow.	_____	...to increase profits.	_____
...to innovate.	_____	...to improve the service quality.	_____
...to survive.	_____	...to consolidate the business.	_____
Other(s)	_____		_____
(Please specify)	_____		_____

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16 | Has the company ever established relationships with...

	Yes	No
...local companies?	<input type="checkbox"/>	<input type="checkbox"/>
...national companies?	<input type="checkbox"/>	<input type="checkbox"/>
...international companies?	<input type="checkbox"/>	<input type="checkbox"/>

17 | How willing would the company be in establishing relationships in the future with...

	Very willing	Quite willing	Moderately willing	Not very willing	Not willing at all	Do not know/No answer
...local companies?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
...national companies?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
...international companies?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

18 | How would you classify the benefits gained by the enterprise in joining a partnership with other organisation(s)?

Will benefit very much	Will benefit a fair amount	Will have some benefit	Will have little benefit	Will have no benefit at all	Do not know/No answer
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

19 | How would you consider the importance of joining a partnership with other organisations to attain the objectives of your company?

Very important	Fairly important	Important	Slightly important	Not important at all	Don't know/No answer
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>



20 | How interested the company would be in establishing relationships with Portuguese companies?

Very interested	Quite interested	Moderately interested	Not very interested	Not interested at all	Do not know/ No answer
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

21 | With whom would you consider establishing partnerships? (Please tick as appropriate)

Other accommodation establishments	<input type="checkbox"/>
Food and beverage establishments	<input type="checkbox"/>
Transportation companies	<input type="checkbox"/>
Tour operators and travel agencies	<input type="checkbox"/>
Enterprises associated with cultural activities	<input type="checkbox"/>
Enterprises associated with sport activities	<input type="checkbox"/>
Enterprises associated with other leisure activities	<input type="checkbox"/>

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## SECTION C | Characterisation of the guests

22 | The majority of the guests of the establishment are... (Please choose only one answer)

...package tourists. ☐ ...independent travellers. ☐

23 | The guests of the establishment are...

(Please specify the percentage of domestic and international guests)

Domestic _____ %	International _____ %
(For each category prioritise your answer by writing 1 for the main market, 2 for the second main market, 3 for the third main market, and so on.)	(Please select only <u>five</u> markets, by writing 1 for the main market, 2 for the second main market, 3 for the third main market, and so on.)
Goan residents _____	UK _____ Finland _____
Goan non-residents _____	Germany _____ Russia _____
Indian nationals from Maharashtra _____	Sweden _____ Switzerland _____
Indian nationals from Karnataka _____	France _____ USA _____
Indian nationals from other parts of India _____	Other(s) _____
	(please specify) _____

24 | At the moment how significant is the Portuguese market to your business?

Very significant	Fairly significant	Significant	Slightly significant	Not significant at all	Do not know/ No answer
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

25 | How willing would you be to do something to attract more Portuguese tourists?

Very willing	Quite willing	Moderately willing	Not very willing	Not willing at all	Do not know/ No answer
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

26 | What are the main motivations to visit Goa of the guests staying in your establishment? (Please, prioritise your answer by writing 1 for the main motivation, 2 for the second main objective, 3 for the third main objective, and so on.)

Sea, sand and sun	Business and meetings	Cultural heritage	Natural environment	Friends and relatives
Other(s)				

27 | Please write down the information according to the cases:

	Tourist season	Peak season	Off season
Average length of stay (nights)			
Average room occupancy rate (%)			
Average daily spending (INR)			

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## SECTION D | Perceptions on the tourism sector in Goa

28 | What do you consider to be the main constraints to tourism in Goa?

(Please, prioritise your answer by writing 1 for the main constraint, 2 for the second main constraint, 3 for the third main constraint, and so on.)

Poor transportation system		Inefficient public policies	
Inadequate basic infrastructures		Inexistence of financial support schemes	
Lack of entertainment facilities		Bureaucracy	
Ineffective communication system		Corruption	
Other(s) (Please specify)		Unskilled human resources	

29 | In your opinion, how well does the public sector perform its task with regard to tourism? (Please tick as appropriate)

Very well	Well	Adequately	Poorly	Very Poorly	Don't know/ No answer
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

30 | What do you consider to be the most attractive types of tourism to develop in the future? (Please select the five most attractive products by writing 1 for the most attractive, 2 for the second most attractive, 3 for the third most attractive, 4 for the fourth most attractive and 5 for the fifth most attractive.)

Cultural/heritage tourism		Gastronomy	
Education/scientific tourism		Ecotourism	
Beach tourism		Religious tourism	
Village tourism		Business tourism	
Health tourism		Adventure tourism	
Meetings, incentives, conventions and events		Golf	
Other(s)		Marine tourism	
(Please specify)		Sports tourism	



## 31 | How would you agree with the following sentences?

	Strongly agree	Agree	Do not agree nor disagree	Disagree	Strongly disagree	Do not know/No answer
Goa needs...						
...more room capacity.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
...to improve infrastructures.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
...more charter flights.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
...international scheduled flights.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
...to diversify the tourism products.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
...more tourists.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
...to increase receipts per capita.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
...a bigger airport.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
...better roads.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
...qualified human resources.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
...to preserve nature and heritage.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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## 32 | What do you consider to be the most profitable/attractive geographical areas in Goa? (Please prioritise your answer by writing 1 for the main area, 2 for the second main area and 3 for the third main area, and so on)

Pernem \_\_\_\_\_ Tiswadi \_\_\_\_\_ Satari \_\_\_\_\_ Mormugao \_\_\_\_\_ Sanguem \_\_\_\_\_ Canacona \_\_\_\_\_  
 Bardez \_\_\_\_\_ Bicholim \_\_\_\_\_ Ponda \_\_\_\_\_ Salcete \_\_\_\_\_ Quepem \_\_\_\_\_

Thank you very much for your collaboration!



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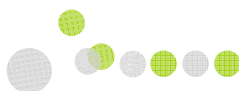
Portugal

zelia@ua.pt



# appendix 5

list of entities contacted  
around the world



## ALGERIA

AICEP	Business Development Agency branch office in Argel	✓
CCIAP	Câmara de Comércio e Indústria Árabe Portuguesa ( <i>Arab-Portuguese Chamber of Commerce and Industry</i> )	✓

## ANGOLA

ACB	Associação Comercial de Benguela ( <i>Commercial Association of Benguela</i> )	✗
AICEP	Business Development Agency branch office in Luanda	✓
ANIP	Agência Nacional de Investimento Privado ( <i>National Agency for Private Investment</i> )	✗
ANT	Agência Nacional de Turismo ( <i>Tourism National Agency</i> )	*
BNA	Banco Nacional de Angola ( <i>National Bank of Angola</i> )	✗
CCIA	Câmara de Comércio e Indústria de Angola ( <i>Angola Chamber of Commerce and Industry</i> )	*
CCIPA	Câmara de Comércio e Indústria Portugal-Angola ( <i>Portugal-Angola Chamber of Commerce and Industry</i> )	✓
CCIPA	Câmara de Comércio e Indústria Portugal Angola em Luanda ( <i>Portugal-Angola Chamber of Commerce and Industry in Luanda</i> )	✗
	Consulate General of Portugal in Benguela	*
	Consulate General of Portugal in Luanda	✓
	Portuguese Embassy in Luanda	✗
IIE	Instituto de Investimento Estrangeiro ( <i>Foreign Investment Institute</i> )	*

## ARGENTINA

AICEP	Business Development Agency branch office in Buenos Aires	✓
CAPC	Câmara de Comércio Argentino-Portuguesa ( <i>Argentine-Portuguese Chamber of Commerce</i> )	✓

## AUSTRALIA

AICEP	Business Development Agency branch office in Sydney	✓
PABA	Portuguese Australian Business Association	✗

## AUSTRIA

AICEP	Business Development Agency branch office in Vienna	✓
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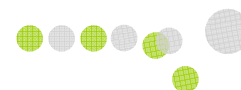
## BAHREIN

CCIAP	Câmara de Comércio e Indústria Árabe-Portuguesa ( <i>Arab-Portuguese Chamber of Commerce and Industry</i> )	✓
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## BELGIUM

AICEP	Business Development Agency branch office in Brussels	✓
CCLBL	Câmara de Comércio Luso-Belga-Luxemburguesa ( <i>Chamber of Commerce Luso-Belgium-Luxembourg</i> )	✗
CCPB	Câmara de Comércio de Portugal na Bélgica ( <i>Portuguese Chamber of Commerce in Belgium</i> )	✓



**BOTSWANA**

AICEP	Business Development Agency branch office in Johannesburg (covers Botswana)	✓
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**BRASIL**

AICEP	Business Development Agency branch office in Rio de Janeiro	×
	Business Development Agency branch office in Sao Paulo	✓
APEX	Agência de Promoção de Exportações e Investimento ( <i>Brazilian Trade and Investment Promotion Agency</i> )	✓
CCILB	Câmara de Comércio e Indústria Luso Brasileira ( <i>Luso-Brazilian Chamber of Commerce and Industry</i> )	✓
CPCB	Câmara Portuguesa de Comércio no Brasil ( <i>Portuguese Chamber of Commerce in Brazil</i> )	
	Bahia	✓
	Ceará	✓
	Pernambuco	✓
	Minas Gerais	✓
	Pará	✓
	Rio Grande do Sul	×
	Paraná	×
	Rio de Janeiro	×
	São Paulo	✓
CEB	Clube de Empresários do Brasil ( <i>Club of Brazilian Entrepreneurs</i> )	×
	Ministry of Tourism	×
PROTUR	Sociedade Brasileira de Apoio ao Turismo, Hotelaria e Gastronomia ( <i>Brazilian Society for Promotion of Tourism, Hotels and Restaurants</i> )	×

**BULGARIA**

AICEP	Business Development Agency branch office in Budapest (covers Bulgaria)	×
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**CAPE VERDE**

CI	Agência Cabo-Verdiana de Promoção de Investimentos ( <i>Cape Verdean Foreign Investment Promotion Agency</i> )	✓
AICEP	Business Development Agency branch office in Praia	×
ACIAB	Associação Comercial, Industrial e Agrícola de Barlavento ( <i>Commercial, Industrial and Agricultural Association of Barlavento</i> )	*
ACS	Associação Comercial de Sotavento ( <i>Commercial Association of Sotavento</i> )	*
CCISB	Câmara de Comércio, Indústria e Serviços do Barlavento ( <i>Barlavento Chamber of Commerce and Industry and Services</i> )	✓
CCISS	Câmara de Comércio, Indústria e Serviços do Sotavento ( <i>Sotavento Chamber of Commerce, Industry and Services</i> )	*
CCITPCV	Câmara de Comércio, Indústria e Turismo Portugal-Cabo Verde ( <i>Portugal-Cape Verde Chamber of Commerce, Industry and Tourism</i> )	✓
PROMEX	Centro de Promoção Turística, do Investimento Externo e das Exportações ( <i>Center for Tourism, Investment and Export Promotion</i> )	*
	Portuguese Embassy in Praia	×



## CANADA

AICEP	Business Development Agency branch office in Montreal	✗
AICEP	Business Development Agency branch office in Toronto	✓
FEPLC	Federação de Empresários e Profissionais Luso-Canadianos ( <i>Federation of Portuguese-Canadian Business and Professionals</i> )	✗

## CHILE

AICEP	Business Development Agency branch office in Santiago	✓
CCCP	Câmara de Comércio Chile-Portugal ( <i>Chamber of Commerce Chile-Portugal</i> )	✗

## CHINA

AICEP	Business Development Agency branch office in Beijing	✓
CCILC	Câmara de Comércio e Indústria Luso-Chinesa ( <i>Luso-Chinese Chamber of Commerce and Industry</i> )	✗
CPN	Centro Português de Negócios em Shanghai ( <i>Portuguese Business Centre in Shanghai</i> )	✓

## CROATIA

AICEP	Business Development Agency branch office in Budapest (covers Croatia)	✗
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## CUBA

	Portuguese Embassy in Havana	✓
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## CZECH REPUBLIC

CCLC	Câmara de Comércio Luso-Checa ( <i>Luso-Czech Chamber of Commerce</i> )	*
AICEP	Business Development Agency branch office in Prague	✓

## DEMOCRATIC REPUBLIC OF THE CONGO

CCIPC	Câmara de Comércio e Indústria Portugal-República Democrática do Congo ( <i>Portugal-Congo Chamber of Commerce and Industry</i> )	*
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## DENMARK

AICEP	Business Development Agency branch office in Copenhagen	✗
CCID	Câmara de Comércio e Indústria Dinamarquesa ( <i>Dannish Chamber of Commerce and Industry</i> )	*

## DJIBOUTI

CCIAP	Câmara de Comércio e Indústria Árabe-Portuguesa ( <i>Arab-Portuguese Chamber of Commerce and Industry</i> )	✓
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## EAST TIMOR

TradeInvest Timor-Leste	Agência de Promoção de Investimentos e Exportações de Timor-Leste ( <i>Investment and Export Promotion Agency of East Timor</i> )	✓
IAED	International Agency for Economic Development	✓
	Portuguese Embassy in Dili	*

## EGYPT

CCIAP	Câmara de Comércio e Indústria Árabe Portuguesa ( <i>Arab-Portuguese Chamber of Commerce and Industry</i> )	✓
-------	--	---

**ESTONIA**

AICEP Business Development Agency branch office in Stockholm (covers Estonia) ✕

**FEDERAL ISLAMIC REPUBLIC OF THE COMORES**

CCIAP Câmara de Comércio e Indústria Árabe-Portuguesa ✓  
(*Arab-Portuguese Chamber of Commerce and Industry*)

**FINLAND**

AICEP Business Development Agency branch office in Helsinki ✕

Business Development Agency branch office in Stockholm (covers Finland) ✕

CCILF Câmara de Comércio e Indústria Luso-Filandesa ✓  
(*Luso-Finnish Chamber of Commerce and Industry*)

Portuguese Embassy in Helsinki ✕

**FRANCE**

AICEP Business Development Agency branch office in Paris ✕

CCIFP Chambre de Commerce et de l'Industrie Franco-Portugaise ✕  
(*Franco-Portuguese Chamber of Commerce and Industry*)

CCILF Câmara de Comércio e Indústria Luso-Francesa ✕  
(*Luso-French Chamber of Commerce and Industry*)

**GERMANY**

AICEP Business Development Agency branch office in Berlin ✓

AICEP Business Development Agency branch office in Frankfurt ✓

CCILA Câmara de Comércio e Indústria Luso-Alemã ✓  
(*Luso-German Chamber of Commerce and Industry*)

FEPA Federação de Empresários Portugueses na Alemanha ✓  
(*Federation of Portuguese Business in Germany*)

**GREECE**

AICEP Business Development Agency branch office in Athens ✓

AICEP Business Development Agency branch office in Milan (covers Greece) ✓

**GUINEA-BISSAU**

AIGB Associação Industrial da Guine-Bissau ✕  
(*Industrial Association of Guinea-Bissau*)

CCIAGB Câmara de Comércio, Indústria e Agricultura da Guiné-Bissau ✕  
(*Chamber of Commerce, Industry and Agriculture of Guinea-Bissau*)

CCIL Câmara de Comércio e Indústria Lusoguineense ✕  
(*Chamber of Commerce and Industry of Guinea-Bissau*)

Ministry of Tourism ✓

Portuguese Embassy in Bissau \*

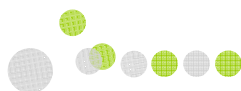
Tourism Secretary of State ✓

**HONG KONG**

AICEP Business Development Agency branch office in Macau (covers Hong-Kong) ✓

**HUNGARY**

AICEP Business Development Agency branch office in Budapest ✕



## ICELAND

AICEP	Business Development Agency branch office in Copenhagen (covers Iceland)	✗
AICEP	Business Development Agency branch office in Oslo (covers Iceland)	✓

## IRAN

CCPI	Câmara de Comércio Portugal-Irão ( <i>Portugal-Iran Chamber of Commerce</i> )	✗
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## IRAQ

CCIAP	Câmara de Comércio e Indústria Árabe-Portuguesa ( <i>Arab-Portuguese Chamber of Commerce and Industry</i> )	✓
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## IRLAND

AICEP	Business Development Agency branch office in Dublin	✓
PIBA	Portuguese Irish Business Association	*

## ISRAEL

AICEP	Business Development Agency branch office in Tel Aviv	✗
CCIP	Câmara de Comércio Israel-Portugal ( <i>Portugal-Israel Chamber of Commerce</i> )	✗
CCPI	Câmara de Comércio Portugal-Israel ( <i>Israel Portugal Chamber of Commerce</i> )	✗

## INDIA

	Portuguese Embassy in New Delhi	✓
	Consulate General of Portugal in Goa	✓
CCPI	Câmara de Comércio Portugal-Índia ( <i>Portugal-India Chamber of Commerce</i> )	✗

## ITALY

AICEP	Business Development Agency branch office in Milan	✓
AICEP	Business Development Agency branch office in Roma	✗
CCIP	Camera di Commercio Italiana per il Portogallo ( <i>Italian Chamber of Commerce in Portugal</i> )	✓

## JAPAN

AICEP	Business Development Agency branch office in Tokyo	✓
CCILJ	Câmara de Comércio e Indústria Luso-Japonesa ( <i>Luso-Japanese Chamber of Commerce and Industry</i> )	✓

## JORDAN

CCIAP	Câmara de Comércio e Indústria Árabe-Portuguesa ( <i>Arab-Portuguese Chamber of Commerce and Industry</i> )	✓
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## KUWAIT

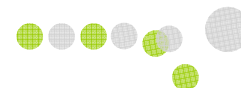
CCIAP	Câmara de Comércio e Indústria Árabe-Portuguesa ( <i>Arab-Portuguese Chamber of Commerce and Industry</i> )	✓
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## LATVIA

AICEP	Business Development Agency branch office in Stockholm (covers Latvia)	✗
-------	--	---

## LEBANON

CCIAP	Câmara de Comércio e Indústria Árabe-Portuguesa ( <i>Arab-Portuguese Chamber of Commerce and Industry</i> )	✓
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## LITHUANIA

AICEP	Business Development Agency branch office in Copenhagen (covers Lithuania)	×
-------	--	---

## LUXEMBOURG

AICEP	Business Development Agency branch office in Brussels (covers Luxembourg)	✓
CCLBL	Câmara de Comércio Luso Belga-Luxemburguesa ( <i>Chamber of Commerce Luso-Belgium-Luxembourg</i> )	×
CCLL	Câmara de Comércio Luso-Luxemburguesa ( <i>Luso-Luxembourg Chamber of Commerce</i> )	×

## LYBIA

CCIAIP	Câmara de Comércio e Indústria Árabe-Portuguesa ( <i>Arab-Portuguese Chamber of Commerce and Industry</i> )	✓
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## MACAU

AICEP	Business Development Agency branch office in Macau	✓
ACM	Associação Comercial de Macau ( <i>Commercial Association of Macau</i> )	×
IIM	Instituto Internacional de Macau ( <i>Macau International Institute</i> )	×
IPIM	Instituto de Promoção de Comércio e do Investimento de Macau ( <i>Macau Trade and Investment Promotion Institute</i> )	✓

## MAURITANIA

CCIAIP	Câmara de Comércio e Indústria Árabe-Portuguesa ( <i>Arab-Portuguese Chamber of Commerce and Industry</i> )	✓
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## MEXICO

AICEP	Business Development Agency branch office in México City	×
CCILM	Câmara de Comércio e Indústria Luso-Mexicana ( <i>Luso-Mexican Chamber of Commerce and Industry</i> )	×
CPCITM	Câmara Portuguesa de Comércio, Indústria y Turismo en México A.C. ( <i>Portuguese Chamber of Commerce, Industry and Tourism in Mexico City</i> )	×

## MOROCCO

AICEP	Business Development Agency branch office in Rabat	×
CCIAIP	Câmara de Comércio e Indústria Árabe-Portuguesa ( <i>Arab-Portuguese Chamber of Commerce and Industry</i> )	✓
CCILM	Câmara de Comércio e Indústria Luso-Marroquina ( <i>Luso-Moroccan Chamber of Commerce and Industry</i> )	×
	Portuguese Embassy in Rabat	×

## MOZAMBIQUE

AICEP	Business Development Agency branch office in Maputo	✓
ACIS	Associação Comercial e Industrial de Sofala ( <i>Commercial and Industrial Association of Sofala</i> )	×
CCPM	Câmara de Comércio Portugal-Moçambique ( <i>Portugal-Mozambique Chamber of Commerce</i> )	×
CPI	Centro de Promoção de Investimento ( <i>Investment Promotion Centre</i> )	✓
CAEM	Confederação das Associações Económicas de Moçambique ( <i>Mozambique Confederation of Economic Associations</i> )	×
	Consulate General of Portugal in Beira	×



	Ministry of Tourism	✓
<b>NAMIBIA</b>		
AICEP	Business Development Agency branch office in Johannesburg (covers Namíbia)	✓
CCIPN	Câmara de Comércio e Indústria Portugal-Namíbia ( <i>Portugal-Namibia Chamber of Commerce and Industry</i> )	✗
<b>NETHERLANDS</b>		
AICEP	Business Development Agency branch office in Haig	✓
CCPH	Câmara de Comércio Portugal-Holanda ( <i>Dutch-Portuguese Chamber of Commerce</i> )	✓
<b>NEW ZEALAND</b>		
AICEP	Business Development Agency branch office in Sydney (covers New Zealand)	✓
<b>NORWAY</b>		
AICEP	Business Development Agency branch office in Oslo	✓
AICEP	Business Development Agency branch office in Copenhagen (covers Norway)	✗
<b>OMAN</b>		
CCIAP	Câmara de Comércio e Indústria Árabe-Portuguesa ( <i>Arab-Portuguese Chamber of Commerce and Industry</i> )	✓
<b>PARAGUAY</b>		
AICEP	Office in Buenos Aires (covers Paraguay)	✓
CCPP	Câmara de Comércio Paraguaia-Portuguesa ( <i>Paraguayan-Portuguese Chamber of Commerce</i> )	✗
<b>POLAND</b>		
CCILP	Câmara de Comércio e Indústria Luso-Polaca ( <i>Luso-Polish Chamber of Commerce and Industry</i> )	*
AICEP	Business Development Agency branch office in Warsaw	✓
<b>PALESTINE</b>		
CCIAP	Câmara de Comércio e Indústria Árabe Portuguesa ( <i>Arab-Portuguese Chamber of Commerce and Industry</i> )	✓
<b>PORTUGAL</b>		
ACL-CCIL	Associação Comercial de Lisboa/Câmara de Comércio e Indústria Portuguesa ( <i>Lisbon Commercial Association/Portuguese Chamber of Commerce and Industry</i> )	✗
AdI	Agência de Inovação ( <i>Innovation Agency</i> )	✗
AICEP	Agência para o Investimento e Comércio Externo de Portugal ( <i>Business Development Agency</i> )	✓
AEP	Associação Empresarial de Portugal ( <i>Portuguese Business Association</i> )	✗
AHP	Associação da Hotelaria de Portugal ( <i>Association of Hotels of Portugal</i> )	✓
AHETA	Associação dos Hotéis e Empreendimentos Turísticos do Algarve ( <i>Algarve Hotel and Tourism Businesses Association</i> )	✗
AIP	Associação Industrial Portuguesa ( <i>Portuguese Industrial Association</i> )	✓

AIHSA	Associação dos Industriais de Hotelaria e Similares do Algarve ( <i>Algarve Association of Hotel and Similar Industries</i> )	×
APBA	Associação Portuguesa Business Angels ( <i>Portuguese Business Angels Association</i> )	×
CCSP	Confederação do Comércio e Serviços de Portugal ( <i>Confederation of Trade and Services of Portugal</i> )	×
CIEP	Confederação Internacional dos Empresários Portugueses ( <i>International Confederation of Portuguese Businessmen</i> )	×
CPLP	Comunidade dos Países de Língua Portuguesa ( <i>Community of Portuguese-Speaking Countries</i> )	✓
CTP	Confederação do Turismo Português ( <i>Portuguese Tourism Confederation</i> )	×
ELO	Associação Portuguesa para o Desenvolvimento Económico e a Cooperação ( <i>Portuguese Association for Economic Development and Cooperation</i> )	×
FIHOTEL	Federação da Indústria Hoteleira e do Alojamento Turístico de Portugal ( <i>Portuguese Federation of Hotels and Tourism Accommodation</i> )	*
FIHSP	Federação da Indústria Hoteleira e Similares de Portugal ( <i>Portuguese Federation of Hotel and Similar Industries</i> )	*
HRCentro	Associação dos Industriais de Hotelaria, Restaurantes e Similares do Centro ( <i>Association of Hotels, Restaurants and Similar Industries of Centre Portugal</i> )	×
IAPMEI	Instituto de Apoio às Pequenas e Médias Empresas e ao Investimento ( <i>Institute for Support to SMEs and to Investment</i> )	×
UNISNHOR	União das Associações de Hotelaria e Restauração do Norte de Portugal ( <i>Union of Associations of Hotels and Restaurants of North Portugal</i> )	*
TP	Turismo de Portugal ( <i>Portuguese Tourism Institute</i> )	✓

**QATAR**

CCIAIP	Câmara de Comércio e Indústria Árabe-Portuguesa ( <i>Arab-Portuguese Chamber of Commerce and Industry</i> )	✓
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**ROMENIA**

AICEP	Business Development Agency branch office in Bucharest	✓
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**RUSSIA**

AICEP	Business Development Agency branch office in Moscow	×
CCIR	Câmara de Comércio e Indústria da Rússia ( <i>Russian Chamber of Commerce and Industry</i> )	×
	Portuguese Embassy in Moscow	×

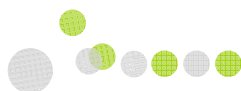
**SAO TOME AND PRINCIPE**

CCIASSTP	Câmara de Comércio, Indústria, Agricultura e Serviços de São Tomé e Príncipe ( <i>Sao Tome and Principe Chamber of Commerce, Industry, Agriculture and Services</i> )	×
	Portuguese Embassy in Sao Tome	×

**SAUDI ARABIA**

AICEP	Business Development Agency branch office in Dubai (covers Saudi Arabia)	✓
CCIAIP	Câmara de Comércio e Indústria Árabe Portuguesa ( <i>Arab-Portuguese Chamber of Commerce and Industry</i> )	✓





## SERBIA

AICEP Business Development Agency branch office in Milan (covers Serbia) ✓

## SLOVAKIA

AICEP Business Development Agency branch office in Bratislava ✗

AICEP Business Development Agency branch office in Vienna (covers Slovakia) ✓

CCLE Câmara de Cooperação Luso-Eslovaca  
(*Portuguese-Slovak Cooperation Chamber*) ✗

## SLOVENIA

AICEP Business Development Agency branch office in Vienna (covers Slovenia) ✓

## SOMALIA

CCIAP Câmara de Comércio e Indústria Árabe Portuguesa  
(*Arab-Portuguese Chamber of Commerce and Industry*) ✓

## SOUTH AFRICA

AICEP Business Development Agency branch office in Johannesburg ✓

CCILSA Câmara de Comércio e Indústria Luso Sul-Africana  
(*Portugal-South Africa Chamber of Commerce and Industry*) ✓  
Embassy of South África in Lisbon ✓

## SOUTH KOREA

AICEP Business Development Agency branch office in Seul ✗

## SPAIN

AICEP Business Development Agency branch office in Barcelona ✓

AICEP Business Development Agency branch office in Madrid ✓

CCILE Câmara de Comércio e Indústria Luso-Espanhola  
(*Luso-Spanish Chamber of Commerce and Industry*) ✗

CHPCIE Câmara Hispano Portuguesa de Comércio e Indústria em Espanha  
(*Spanish-Portuguese Chamber of Commerce and Industry in Spain*) ✗

CAIP Centro de Apoio ao Investidor Português em Espanha  
(*Portuguese Business Support Centre in Spain*) ✓

## SUDAN

CCIAP Câmara de Comércio e Indústria Árabe Portuguesa  
(*Arab-Portuguese Chamber of Commerce and Industry*) ✓

## SWEDEN

AICEP Business Development Agency branch office in Stockholm ✗

CCLS Câmara de Comércio Luso-Sueca  
(*Luso-Swedish Chamber of Commerce and Industry*) ✓

## SWITZERLAND

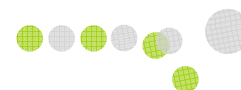
AICEP Business Development Agency branch office in Zurich ✗

CCISP Câmara de Comércio e Indústria Suiça em Portugal  
(*Swiss Chamber of Commerce and Industry in Portugal*) ✓

## SYRIA

CCIAP Câmara de Comércio e Indústria Árabe-Portuguesa  
(*Arab-Portuguese Chamber of Commerce and Industry*) ✓



**TAIWAN**

AICEP Business Development Agency branch office in Macau (covers Taiwan) ✓

**TUNISIA**

AICEP Business Development Agency branch office in Tunes ✓

CCIAP Câmara de Comércio e Indústria Árabe-Portuguesa  
(*Arab-Portuguese Chamber of Commerce and Industry*) ✓

**TURKEY**

AICEP Business Development Agency branch office in Ankara ✕

**UKRAINE**

AICEP Business Development Agency branch office in Warsaw (covers Ukraine) ✓

**UNITED ARAB EMIRATES**

AICEP Business Development Agency branch office in Dubai ✓

CCIAP Câmara de Comércio e Indústria Árabe-Portuguesa  
(*Arab-Portuguese Chamber of Commerce and Industry*) ✓

**UNITED KINGDOM**

AICEP Business Development Agency branch office in London ✓

CCLB Câmara de Comércio Luso-Britânica  
(*British-Portuguese Chamber of Commerce*) ✓

Portuguese Chamber – The Portuguese UK Business Network ✕

**UNITED STATES OF AMERICA**

AICEP Business Development Agency branch office in New York ✓

Business Development Agency branch office in San Francisco ✓

CCAP Câmara de Comércio Americana em Portugal  
(*American Chamber of Commerce in Portugal*) ✕

CCLA Câmara de Comércio Luso-Americana  
(*Luso-American Chamber of Commerce*) \*

Portugal U.S. Chamber of Commerce \*

Portuguese Chamber of Commerce of California \*

Portuguese American Chamber of Commerce of New Jersey ✕

Hawaii Island Portuguese Chamber of Commerce ✕

**URYGUAY**

AICEP Business Development Agency branch office in Buenos Aires (covers Uruguay) ✓

CCUP Câmara de Comércio Uruguayo-Portuguesa  
(*Uruguayan-Portuguese Chamber of Commerce*) ✕

**VENEZUELA**

CCLV Câmara de Comércio Luso-Venezuelana  
(*Luso-Venezuelan Chamber of Commerce*) \*

CCITLV Câmara de Comércio, Indústria Y Turismo Luso-Venezuelana  
(*Luso- Venezuelan Chamber of Commerce, Industry and Tourism*) \*

**YEMEN**

CCIAP Câmara de Comércio e Indústria Árabe Portuguesa  
(*Arab-Portuguese Chamber of Commerce and Industry*) ✓



## ZIMBABWE

AICEP	Business Development Agency branch office in Harare	✗
AICEP	Business Development Agency branch office in Maputo (covers Zimbabwe)	✓

Key: ✓ Entities who provided the requested information   ✗ Entities who did not reply  
\* Entities who were unable to be contacted given that the correspondence was returned as undeliverable



# appendix 6

interview-questionnaire to  
Portuguese international firms  
in the hotel sector



Este questionário faz parte de um projecto de investigação realizado na Universidade de Aveiro. Tem por objectivo identificar os padrões de investimento Português no estrangeiro na área da hotelaria. Solicitamos que colabore nesta investigação - a sua participação é essencial para o sucesso deste trabalho! Agradecemos que dispensasse alguns minutos do seu tempo para responder às questões seguintes. **Todas as respostas serão tratadas de forma confidencial.**

## SECCÃO A | Empresa

429

1 | Denominação social \_\_\_\_\_

2 | Sede \_\_\_\_\_

3 | Ano de início de actividade...

3.1 | ...da empresa \_\_\_\_\_

3.2 | ...na hotelaria \_\_\_\_\_

4 | Actividade...

4.1 | ...principal \_\_\_\_\_

4.2 | ...secundárias \_\_\_\_\_

5 | Capital social

No início da actividade

Actual

Montante (valor aproximado em Euros)

Investimento privado português

%

Investimento público português

%

Investimento estrangeiro

%

6 | Volume de negócios

6.1 | Volume total de negócios em 2006 (valor aproximado): \_\_\_\_\_ Euros  
(resultante das actividades em Portugal e no estrangeiro)

6.2 | Qual a percentagem do volume de negócios resultante da actividade gerada no estrangeiro para o volume total de negócios da empresa? \_\_\_\_\_ %



6.3 | Qual a percentagem do volume de negócios resultante da actividade do sector do turismo para o volume total de negócios da empresa? \_\_\_\_\_ %

## 7 | Na hotelaria...

(número total de...)

Portugal  
Anterior a  
internacionalização

Actual

No estrangeiro

hotéis.

quartos.

camas.

trabalhadores.

% com formação superior.

volume de negócios.

_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

8 | Os principais objectivos da empresa são... (Por favor seleccione os três principais objectivos, escrevendo 1 para o principal objectivo, 2 para o segundo principal objectivo e 3 para o terceiro principal objectivo.)

...crescer.

...inovar.

...sobreviver.

Outro(s)

Por favor indique qual(ais)

...aumentar os lucros.

...aumentar a qualidade do serviço.

...consolidar o negócio.

_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

## SECÇÃO B | Grupo

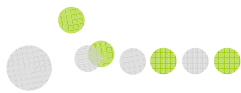
9 | A empresa encontra-se integrada em algum grupo empresarial? (caso respondeu não, por favor passe para a pergunta 10) Sim ☐ Não ☐

9.1 | Qual a contribuição das actividades da empresa para o volume de negócios total do grupo? \_\_\_\_\_ %

9.2 | O grupo encontra-se internacionalizado em outras áreas para além da hotelaria?

Sim ☐ Por favor, indique qual(ais): \_\_\_\_\_  
Não ☐ (Por favor passe para a pergunta 9.6)

9.3 | O grupo encontra-se internacionalizado desde \_\_\_\_\_

**9.4 | Qual foi o primeiro mercado para onde o grupo se internacionalizou?****9.5 | O grupo encontra-se presente em mais mercados?**Não ☐ Sim ☐ Por favor, indique qual(ais) e desde quando:

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431

**9.6 | Qual a percentagem do volume de negócios resultante da actividade do sector do turismo para o volume de negócios total do grupo?** \_\_\_\_\_ %**10 | Carteira de negócios na área do turismo**

	Empresa	Grupo		Empresa	Grupo
Operador turístico	<input type="checkbox"/>	<input type="checkbox"/>	Golfe	<input type="checkbox"/>	<input type="checkbox"/>
Agência de viagens	<input type="checkbox"/>	<input type="checkbox"/>	Jogo	<input type="checkbox"/>	<input type="checkbox"/>
Transporte aéreo	<input type="checkbox"/>	<input type="checkbox"/>	Imobiliário turístico	<input type="checkbox"/>	<input type="checkbox"/>
Hotelaria	<input type="checkbox"/>	<input type="checkbox"/>	<i>Time-sharing</i>	<input type="checkbox"/>	<input type="checkbox"/>
Restauração	<input type="checkbox"/>	<input type="checkbox"/>	<i>Rent-a-car</i>	<input type="checkbox"/>	<input type="checkbox"/>
Termas/ <i>Spas</i>	<input type="checkbox"/>	<input type="checkbox"/>	Outro(s)	<input type="checkbox"/>	<input type="checkbox"/>

Por favor indique qual(ais) \_\_\_\_\_

**SECÇÃO C | Experiência internacional e relações de negócios****11.1 | Quando, onde e em que actividade a empresa iniciou a actividade internacional na área do turismo?**

---

**11.2 | A empresa encontra-se presente em outros mercados na área do turismo?**Não ☐ Sim ☐ Por favor indique qual(ais) e desde quando:

1	_____	2	_____
3	_____	4	_____
5	_____	6	_____



## 12 | De uma forma geral, qual a importância dos seguintes factores na decisão de investir no estrangeiro na hotelaria?

	Muito importante	Bastante importante	Importante	Pouco importante	Nada importante	Não sabe/Não responde
potencial turístico do destino	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
potencial como destino de negócios	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
dimensão do mercado	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
necessidade de crescimento da empresa	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
diversificação do risco	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
obtenção de economias de escala	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
dimensão insuficiente ou limitações do mercado doméstico	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
inserção num grupo com experiência internacional	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
aproveitamento das capacidades/competências da empresa	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
resposta a concorrentes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
acompanhamento de clientes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
reação a uma quebra no mercado nacional	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
incentivos governamentais	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
abordagem por outras empresas	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
conhecimento dos mercados	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
proximidade cultural/linguística	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
mercado externo mais rentável	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
minimizar custos	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
produto original	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
acesso a competências/recursos	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
disponibilidade e custo da mão-de-obra	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
razões afectivas/pessoais	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
outro(s)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Qual(is)?



**13 |** Por favor indique quais as principais dificuldades sentidas pela empresa no processo de internacionalização na hotelaria (Por favor seleccione as cinco principais dificuldades, escrevendo 1 para a principal dificuldade, 2 para a segunda principal dificuldade, e assim sucessivamente.)

Dimensão insuficiente da empresa	_____
Insuficiência de recursos financeiros	_____
Insuficiência de recursos humanos	_____
Conhecimento limitado dos mercados	_____
Dificuldades de controlo de gestão	_____
Reduzida mobilidade dos quadros	_____
Capacidade de inovação limitada	_____
Dificuldade de identificação de parceiros locais	_____
Insuficientes apoios ao investimento	_____
Fraca inserção em redes internacionais	_____
Estrutura organizativa da empresa	_____
Política governamental em Portugal	_____
Diferenças culturais entre mercados	_____
Taxas de câmbio	_____
Burocracia	_____
Restrições ao investimento	_____
Carga fiscal	_____
Corrupção	_____
Situação política e social do país de destino	_____
Concorrência muito forte	_____
Dificuldade de financiamento	_____
Dificuldade em cooperar com outras empresas	_____
Falta de experiência internacional	_____
Normas fiscais nos mercados de destino	_____
Outro(s)	_____
Qual(ais)?	_____





14 | No que diz respeito à internacionalização na hotelaria, como classifica o facto de estar inserido numa rede de negócios?

Muito benéfico	Bastante benéfico	Benéfico	Pouco benéfico	Nada benéfico	Não sabe/Não responde
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

15 | De um modo geral como classifica a importância em estabelecer parcerias com outras entidades para...

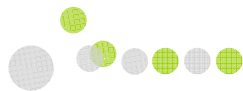
434

	Muito importante	Bastante importante	Importante e	Pouco importante	Nada importante	Não sabe/Não responde
...atingir os objectivos da empresa?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
...definir padrões de serviço e de qualidade?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
...desenvolver produtos inovadores?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
...fornecer assistência técnica?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
...ultrapassar barreiras de negócio e investimento?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
...proteger os consumidores?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
...lidar com a concorrência?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
...melhorar a inovação tecnológica?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
...providenciar programas de estágio e formação?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
...melhorar a produtividade e a inovação?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
...melhorar a eficácia das estratégias de marketing?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
...melhorar a cobertura e alcance de mercado?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
...aceder a novos mercados?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
...obter investimento e financiamento?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
...aumentar o rendimento?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
...se internacionalizar?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

16 | Faz parte de alguma associação do sector (em Portugal e no estrangeiro)?

Não ☐

Sim ☐ Qual(ais)? \_\_\_\_\_

**SECÇÃO D | Perspectivas de actuação futuras**

**17.1 |** Quais os locais, incluindo Portugal, onde existem perspectivas de desenvolvimento de negócios para a sua empresa, na área da hotelaria, num horizonte temporal de 5 anos?

Fase de execução

---

Fase de projecto

---

Em estudo

---

435

**17.2 |** Caso existam mercados novos, por favor indique a razão pela qual a empresa decidiu investir nesses mercados.

---

---

**17.3 |** Tenciona desinvestir em algum mercado?

Sim ☐

Não ☐

**17.4 |** Se respondeu sim, indique qual(is) e porquê.

---

---

**18.1 |** A empresa já alguma vez pensou investir em Goa?

Sim ☐

Não ☐

**18.2 |** Se respondeu sim, porque não investiu?

---

---

**19 |** Qual o grau de conhecimento do mercado?

Muito alto

☐

Alto

☐

Médio

☐

Baixo

☐

Muito baixo

☐

Não sabe/Não responde

☐

**20.1 |** Considera que a empresa possa investir em Goa num horizonte temporal de 5-10 anos?

Sim ☐ Que tipo de investimento?

---

Não ☐ Porquê?

---

(caso respondeu não, por favor passe para a pergunta 20.4.)



20.2 | Para investir a empresa consideraria recorrer a parcerias?

Sim ☐ Não ☐

20.3 | Se respondeu sim, em que medida a empresa estaria interessada em estabelecer parcerias com empresas locais?

Muito interessado	Bastante interessado	Interessado	Pouco interessado	Nada interessado	Não sei/Não responde
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

436

20.4 | Sabendo que nos hotéis de categoria média-superior de Goa:

- a taxa de ocupação média ronda os 90% durante a época alta e 60% durante a época baixa;
- a despesa média diária ronda os 180 euros durante a época alta e 55 euros durante a época baixa;
- a estada média ronda as 7,5 noites durante a época alta e 3,5 noites durante a época baixa,

e tendo em conta que:

- cerca de 90% desses hotéis está interessado em estabelecer parcerias com empresas Portuguesas, e
- o Governo de Goa vai facilitar investimentos portugueses no território, tendo especial interesse no sector do turismo,

a empresa estaria interessada em aprofundar este mercado?

Sim ☐ Não ☐

Muito obrigada pela sua colaboração!



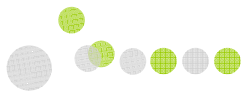
Zélia Breda

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This survey is part of a research programme conducted at the University of Aveiro (Portugal). It aims to study the internationalisation of the Portuguese firms in the hotel sector. We kindly request you to collaborate in this research - your participation is essential for its successful conclusion! We appreciate very much if you could take some minutes of your time to answer the following questions. **All responses will be treated confidentially.**

## SECTION A | Firm

1 | Name \_\_\_\_\_

2 | Headquarters \_\_\_\_\_

3 | Beginning of the activity...

3.1 | ...of the firm \_\_\_\_\_

3.2 | ...in the hotel sector \_\_\_\_\_

4 | Activities

4.1 | Main \_\_\_\_\_

4.2 | Secondary \_\_\_\_\_

5 | Corporate stock

Amount (approximate amount in Euros)

When founded

Today

Portuguese private investment

\_\_\_\_\_  
%

Portuguese public investment

\_\_\_\_\_  
%

Foreign investment

\_\_\_\_\_  
%

6 | Annual turnover

6.1 | Total turnover 2006 (approximately): \_\_\_\_\_ Euros  
(resulting from activities in Portugal and abroad)

6.2 | What is the turnover percentage of overseas activities? \_\_\_\_\_ %



6.3 | What is the turnover percentage of tourism activities? \_\_\_\_\_ %

## 7 | Hotel sector

	Portugal		Abroad
total number of...	Before internacionalisation	Today	
hotels.	_____	_____	_____
rooms.	_____	_____	_____
beds.	_____	_____	_____
employees.	_____	_____	_____
% with higher education.	_____	_____	_____
annual turnover.	_____	_____	_____

438

## 8 | The main objectives of the company are...

(Please select the three main objectives by writing 1 for the main objective, 2 for the second main objective and 3 for the third main objective.)

...to grow.	_____	...to increase profits.	_____
...to innovate.	_____	...to improve the service quality.	_____
...to survive.	_____	...to consolidate the business.	_____
Other(s)	_____	_____	_____
(Please specify)	_____	_____	_____

## SECTION B | Business group

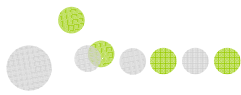
9 | Is the company integrated in a business group? (If no, please go to question 10) Yes ☐ No ☐

9.1 | What is the percentage of the firm's turnover in the total turnover of the group? \_\_\_\_\_ %

9.2 | Is the group internationalised in areas other the hotel sector?

Yes ☐ Which? \_\_\_\_\_  
 No ☐ (Please go to question 9.6)

9.3 | The group internationalised in \_\_\_\_\_



#### 9.4 | What was the first market where the group internationalised?

---

#### 9.5 | Have the group invested in other markets?

No ☐ Yes ☐ Please, specify which ones and since when.

---

---

---

439

9.6 | What is the percentage of the tourism sector in the total turnover of the group? \_\_\_\_\_ %

#### 10 | Tourism businesses

	Firm	Group		Firm	Group
Tour operator	<input type="checkbox"/>	<input type="checkbox"/>	Golf	<input type="checkbox"/>	<input type="checkbox"/>
Travel agency	<input type="checkbox"/>	<input type="checkbox"/>	Casino	<input type="checkbox"/>	<input type="checkbox"/>
Airline	<input type="checkbox"/>	<input type="checkbox"/>	Real state	<input type="checkbox"/>	<input type="checkbox"/>
Hotel	<input type="checkbox"/>	<input type="checkbox"/>	Time-sharing	<input type="checkbox"/>	<input type="checkbox"/>
Restaurant	<input type="checkbox"/>	<input type="checkbox"/>	Rent-a-car	<input type="checkbox"/>	<input type="checkbox"/>
Spas	<input type="checkbox"/>	<input type="checkbox"/>	Other(s)	<input type="checkbox"/>	<input type="checkbox"/>
			Please specify	<hr/>	

### SECTION C | International experience and business relationships

11.1 | When, where and in what activity the company started its international activity in the tourism sector?

---

11.2 | Does the company explore any other market in the tourism sector?

No ☐ Yes ☐ Please specify which one(s) and since when:

1	<hr/>	2	<hr/>
3	<hr/>	4	<hr/>
5	<hr/>	6	<hr/>

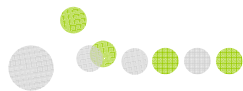


## 12 | Overall, what is the importance of each of these factors in the decision to invest overseas in the hotel sector?

	Very important	Quite important	Important	Not very important	Not important at all	Does not know /No reply
potential as a tourism destination	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
potential as a business destination	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
market size	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
need to grow	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
risk diversification	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
obtain economies of scale	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
reduced dimension or limitations in the domestic market	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
insertion in a group with international experience	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
seize competencies of the company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
response to clients	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
follow the clients	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
reaction to a drop in the national market	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Governmental incentives	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
being approached by other companies	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
market knowledge	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
cultural/linguistic proximity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
more lucrative external market	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
minimise costs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
original product	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
gain competences/resources	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
availability and cost of labour	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
affective/personal reasons	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
other(s)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

which?

---



13 | please specify which are the main difficulties felt by the company in the internationalisation process in the hotel sector (Please select the five main constraints by writing 1 for the main constraint, 2 for the second main constraint, 3 for the third main constraint, 4 for the forth main constraint and 5 for the fifth main constraint.)

Small size of the company

Insufficient financial resources

Insufficient human resources

Limited knowledge of the markets

Difficulties in management control

Reduced mobility of human resources

Limited innovation capacity

Difficulty in identifying local partners

Insufficient financial support schemes

Reduced insertion in international networks

Company's organisational structure

Governmental policy in Portugal

Cultural differences

Exchange rates

Bureaucracy

Restrictions on investment

Taxes

Corruption

Socio-political situation of the host country

Fierce competition

Financing difficulties in

Difficulties in cooperate with other companies

Lack of international experience

Fiscal system of the host country

Other(s)

which?





14 | Regarding the internationalisation in the hotel sector, how do you classify the fact of being integrated in a business network?

Very important	Quite important	Important	Not very important	Not important at all	Does not know /No reply
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

15 | Overall, how do you classify the importance of establishing partnerships with other entities to...

442

	Very important	Quite important	Important	Not very important	Not important at all	Does not know /No reply
...attain the objectives of the company?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
...set service and quality standards?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
...develop innovative products?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
...provide technical support?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
...overcome trade and investment barriers?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
...protect consumers?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
...deal with competition?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
...enhance technological innovation?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
...provide training and education programmes?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
...improve productivity and innovation?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
...improve marketing efficiency?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
...improve market coverage and reach?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
...access new markets?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
...obtain investment and funding?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
...improve yield?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
...internationalise?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

16 | Is the company affiliated with any tourism association??

No ☐

Yes ☐

Which?

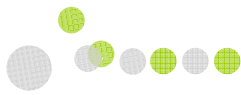
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**SECTION D | Future investment perspectives**

17.1 | Which are the places, including in Portugal, where does the company intend to develop hotel businesses, within a five-period?

Execution

---

Project

---

Study

---

---

443

17.2 | In case there are new markets, please specify the reason why the company decided to invest there.

---

---

17.3 | the company intends to disinvest from any market? Yes ☐ No ☐

17.4 | If you replied yes, please specify which and why. 

---

---

18.1 | the company has ever thought about investing in Goa? Yes ☐ No ☐

18.2 | If you replied yes, why did it not invest?

---

---

19 | What is the market knowledge degree on Goa?

Very high

☐

High

☐

Average

☐

Low

☐

Very low

☐

Do not know/  
No answer

☐

20.1 | Do you consider that the company can invest in Goa in a 5-10 period?

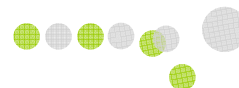
Yes ☐ What type of investment? 

---

No ☐ Why? 

---

(if you replied no, please skip to question 20.4.)



20.2 | Para investir a empresa consideraria recorrer a parcerias?

Yes ☐ No ☐

20.3 | If you replied yes, to what extent the company would be interested in establishing partnerships with local companies?

Very interested	Quite interested	Moderately interested	Not very interested	Not interested at all	Do not know/ No answer
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

444

20.4 | Knowing that in Goa's mid range and upscale hotels:

- the average occupancy rate is 90 percent during the high season and 60 percent during off season;
- the average daily spending is around 180 euros high season and 55 during off season;
- average length of stay is 7,5 nights during high season and 3,5 nights during low season;

and having in mind that:

- about 90% of these hotels are interested in establishing partnerships with Portuguese companies, and
- the local government is going to facilitate Portuguese investments in the territory, especially in the tourism sector,

The company would be interested in knowing more about the market? Yes ☐ No ☐

Thank you very much for your collaboration!



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# appendix

7

interview-questionnaire to  
international ventures of  
Portuguese international firms

universidade  
de aveiro

Este questionário faz parte de um projecto de investigação realizado na Universidade de Aveiro. Tem por objectivo identificar os padrões de investimento Português no estrangeiro na área da hotelaria. Solicitamos que colabore nesta investigação - a sua participação é essencial para o sucesso deste trabalho! Agradecemos que dispense alguns minutos do seu tempo para responder às questões seguintes. **Todas as respostas serão tratadas de forma confidencial.**

## PARTE A | Estabelecimento hoteleiro

447

### 1 | Designação

### 2 | Tipo de alojamento

Hotel ☐ Hotel-apartamento ☐ Estalagem ☐ Pensão ☐ Pousada ☐  
 Motel ☐ Aldeamento turístico ☐ Apartamento turístico ☐ Moradia turística ☐  
 Outro ☐ Qual? \_\_\_\_\_

### 3 | Categoria

5 estrelas ☐ 4 estrelas ☐ 3 estrelas ☐ 2 estrelas ☐ 1 estrela ☐  
 Outra ☐ Qual? \_\_\_\_\_

### 4 | Ano de abertura

### 5 | Localização

Localidade

Província/Estado/Distrito

País

6 | Capacidade total do estabelecimento hoteleiro \_\_\_\_\_ Quartos → \_\_\_\_\_ Camas

### 7 | Facilities

(Por favor escolha as opções que se aplicam a cada caso.)

Quartos

(Caso o estabelecimento tenha diferentes tipos de quartos, por favor escolha apenas as opções que se aplicam à maioria deles.)

AC ☐ Casa de banho ☐TV ☐ Telefone ☐

Áreas comuns

Bar ☐Estacionamento ☐Sala de reuniões ☐Restaurante ☐Spa ☐Centro de convenções ☐Piscina ☐Ginásio ☐Centro de negócios ☐Campo de golfe ☐Actividades desportivas ☐Casino ☐Lavandaria ☐Lojas ☐Entretenimento ☐Outros(s) ☐

(Por favor especifique) \_\_\_\_\_



8   Número total de empregados (valor aproximado)	Época alta	Época baixa	Formação superior
	<i>Full-time</i>		
	<i>Part-time</i>		

8.1 | Recursos humanos portugueses \_\_\_\_\_

9 | Volume de negócios (valor aproximado) \_\_\_\_\_ Euros

10 | Investimento total da empresa (valor aproximado) \_\_\_\_\_ Euros

448

## PARTE B | **Hóspedes**

11 | Por favor indique qual a percentagem de hóspedes que...

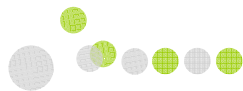
...viajam com um pacote turístico.	_____ %	...através de Operadores Turísticos Portugueses.	_____ %
...são turistas internacionais.	_____ %	...são turistas Portugueses.	_____ %

12 | Na sua opinião, quais são os principais motivos de viagem dos turistas que ficam alojados no hotel? (Por favor seleccione apenas os três motivos principais, escrevendo 1 para o principal, 2 para o segundo motivo e 3 para o terceiro motivo.)

Sol e mar	_____	Ambiente natural	_____
Cultura e monumentos históricos	_____	Negócios e conferências	_____
Casamentos e lua-de-mel	_____	Visitar familiares e amigos	_____
Outro(s)	_____	Eventos	_____
(Por favor especifique) _____			

13 | Por favor escreva a informação referente a cada um dos casos:

	Época alta	Época baixa	Média
Estada média (noites)	_____	_____	_____
Despesa média diária (euros)	_____	_____	_____
Taxa de ocupação média (%)	_____	_____	_____

**PARTE C | Motivações e condicionantes do processo de internacionalização****14 | A ideia de investimento surgiu... (pode assinalar mais do que uma opção).**...por iniciativa da empresa. ☐...por sugestão de amigos/familiares. ☐...através de contactos pessoais dentro da rede de negócios onde a empresa se insere. ☐...por convite/proposta de uma empresa do país de destino. ☐...por convite/proposta de uma empresa portuguesa já instalada nesse mercado. ☐...por convite/proposta de uma empresa estrangeira já instalada nesse mercado. ☐...por convite/proposta de uma empresa portuguesa que se queria instalar nesse mercado. ☐...por convite/proposta de uma empresa estrangeira que se queria instalar nesse mercado. ☐Outro(s) Qual(is)? ☐

449

**15 | Qual o grau de conhecimento do mercado?**

Muito alto

☐

Alto

☐

Médio

☐

Baixo

☐

Muito baixo

☐

Não sabe/Não responde

☐**15.1 | A empresa adquiriu conhecimento do mercado através de... (pode assinalar mais do que uma opção).**...experiência prévia da empresa no país de destino. ☐...relações pessoais. ☐...vivência internacional da gestão. ☐...estudos de mercado. ☐...experiência internacional do grupo nesse mercado. ☐...relações anteriores com empresas desse país. ☐...relações anteriores com empresas Portuguesas com experiência nesse país. ☐...relações anteriores com empresas estrangeiros com experiência nesse país. ☐...outro(s). Qual(is)? ☐**15.2 | Qual deles foi mais importante?****16 | Por favor indique o tipo de investimento.**Investimento de raiz ☐

Aquisição

Total ☐Parcial ☐Contrato de exploração ☐



### 17 | Por favor indique a forma de operação.

Propriedade integral	<input type="checkbox"/>	(por favor passe para a pergunta 21)
Joint Venture	<input type="checkbox"/>	Qual a percentagem da empresa no capital? _____ %
Contrato de aluguer	<input type="checkbox"/>	
Contrato de gestão	<input type="checkbox"/>	
Franchising	<input type="checkbox"/>	
Gestão contratada a terceiros	<input type="checkbox"/>	

450

18.1 | Para este empreendimento em particular, a empresa estabeleceu parceira(s) com quantas empresas? \_\_\_\_\_

### 18.2 | Por favor assinale o tipo de parceiro(s).

Nacionalidade		Dimensão	
Portuguesa	<input type="checkbox"/>	Micro empresa	<input type="checkbox"/>
País de destino	<input type="checkbox"/>	Pequena ou média empresa	<input type="checkbox"/>
Outro país	<input type="checkbox"/>	Grande empresa	<input type="checkbox"/>
Ramo de actividade		Tipo	
Turismo	<input type="checkbox"/>	Empresa privada	<input type="checkbox"/>
Outra actividade	<input type="checkbox"/>	Entidade pública	<input type="checkbox"/>

### 18.3 | Quais os motivos que levaram a empresa a investir com parceiro?

1ª \_\_\_\_\_

2ª \_\_\_\_\_

3ª \_\_\_\_\_

### 18.4 | Caso não tivesse parceiro(s) a empresa teria investido?

Não ☐

Sim, mas o investimento teria sido inferior ☐

Sim, o investimento teria sido o mesmo ☐

### 19 | Quais as motivos que levaram a empresa a investir neste destino?

1ª \_\_\_\_\_

2ª \_\_\_\_\_

3ª \_\_\_\_\_

### 20 | Quais as principais dificuldades sentidas pela empresa até ao momento?

1ª \_\_\_\_\_

2ª \_\_\_\_\_

3ª \_\_\_\_\_





21 | Quais os factores mais importantes para a competitividade do estabelecimento hoteleiro neste destino?

1ª \_\_\_\_\_

2ª \_\_\_\_\_

3ª \_\_\_\_\_

22 | De uma forma geral, como avalia o investimento feito?

Excelente

☐

Bom

☐

Razoável

☐

Mau

☐

Péssimo

☐

Não sabe/Não responde

☐

451

23.1 | A empresa recebeu/vai receber incentivos públicos das autoridades portuguesas para investir?

Não ☐ Sim ☐

23.2. Qual(is) o(s) sistema(s) de incentivos que utilizou? \_\_\_\_\_

23.3. A empresa teria investido sem esses incentivos?

Não

☐

Sim, mas o investimento teria sido inferior

☐

Sim, o investimento teria sido o mesmo

☐

24 | Beneficiou/irá beneficiar de incentivos locais de apoio ao investimento?

Não ☐ Sim ☐ (Se respondeu sim, por favor indique que tipo de incentivos)

Muito obrigada pela sua colaboração!



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452

## PART A | ESTABLISHMENT

452

1 | Name \_\_\_\_\_

### 2 | Type

Hotel ☐ Hotel-apartament ☐ Inn ☐ B&B ☐ Pousada ☐  
 Motel ☐ Resort ☐ Apartment ☐ Villa ☐  
 Other ☐ Qual? \_\_\_\_\_

### 3 | Category

5 star ☐ 4 star ☐ 3 star ☐ 2 star ☐ 1 star ☐  
 Other ☐ Which? \_\_\_\_\_

4 | Opening year \_\_\_\_\_

### 5 | Location

Local \_\_\_\_\_ Province/Estate \_\_\_\_\_ Country \_\_\_\_\_

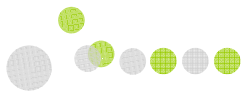
6 | Total capacity of the establishment \_\_\_\_\_ Rooms → \_\_\_\_\_ Bed

### 7 | Facilities

(Please select the options that apply to each case.)

Rooms (in case the establishment has different types of rooms, please select only the options that apply to the majority of them)

AC	<input type="checkbox"/>	Bathroom	<input type="checkbox"/>			
TV	<input type="checkbox"/>	Telephone	<input type="checkbox"/>			
Common areas	Bar	<input type="checkbox"/>	Parking	<input type="checkbox"/>	Business room	<input type="checkbox"/>
	Restaurant	<input type="checkbox"/>	Spa	<input type="checkbox"/>	Convention centre	<input type="checkbox"/>
	Swimming pool	<input type="checkbox"/>	Gymnasium	<input type="checkbox"/>	Business centre	<input type="checkbox"/>
	Golf course	<input type="checkbox"/>	Sport activities	<input type="checkbox"/>	Casino	<input type="checkbox"/>
	Laundry	<input type="checkbox"/>	Shopping arcades	<input type="checkbox"/>	Entertainment	<input type="checkbox"/>
	Other(s)	<input type="checkbox"/>	(Please specify)	_____		



8   total number of employees (approximately)	Peak season	Low season	Higher education
Full-time	_____	_____	_____
Part-time	_____	_____	_____

8.1 | Portuguese human resources \_\_\_\_\_

9 | Turnover (approximately) \_\_\_\_\_ Euros

10 | Company's total investment (approximately) \_\_\_\_\_ Euros

## PART B | Guests

11 | Please indicate the percentage of guests that...

...travel with a tour package.	_____ %	...through Portuguese tour operators.	_____ %
...are international tourists.	_____ %	...are Portuguese tourists.	_____ %

12. In your perception what are the main motives to visit Goa of the guests staying in your establishment? (Please select only the three main motives by writing 1 for the main motive, 2 for the second main motive and 3 for the third main motive.)

Sea, sand and sun	_____	Natural environment	_____
Culture and historical monuments	_____	Business and conferences	_____
Honeymoon and weddings	_____	Food and drinks	_____
Events	_____	Friends and relatives	_____
Other(s)	_____		_____
(Please specify)	_____		_____

13 | Please write down the information according to each case:

	Peak season	Low season	Mean
Average length of stay (nights)	_____	_____	_____
Average daily spending (euros)	_____	_____	_____
Room occupancy rate (%)	_____	_____	_____



## PART C | Determinants and constraints in the internationalisation process

14 | The idea of the investment emerged... (you can select more than one option).

...by initiative of the company.

☐

...by suggestion of friends or relatives.

☐

...through personal contacts inside the business network where the company is embedded.

☐

...by invitation of a company in the host country.

☐

... by invitation of a Portuguese company already operating in the market.

☐

... by invitation of a foreign company operating in the market.

☐

... by invitation of a Portuguese company that wants to operate in the market.

☐

... by invitation of a foreign company that wants to operate in the market.

☐

Other(s) Which?

☐

15 | What was the market degree?

Very high

☐

High

☐

Average

☐

Low

☐

Very low

☐

Does not  
know/No reply

☐

15.1 | The company has obtained market knowledge through... (you may select more than one option).

...previous experience in the host country.

☐

...personal relationships.

☐

...international experience of the managers.

☐

...market research.

☐

...international experience of the business group in the market.

☐

...previous relationships with local companies.

☐

...previous relationships with Portuguese companies with experience in the market.

☐

...previous relationships with foreign companies with experience in the market.

☐

...outro(s). Qual(is)?

☐

15.2 | Which on was the most important?

16 | Please indicate what is the type of investment.

Greenfield

☐

Brown field

Total

☐

Partial

☐

Contract

☐

**17 | Please state what is the operation type.**

Sole venture	<input type="checkbox"/>	(please go to question 21)	
Joint Venture	<input type="checkbox"/>	What is the share of the company in	
Leasing contract	<input type="checkbox"/>	the corporate stock?	%
Management contract	<input type="checkbox"/>		
Franchising	<input type="checkbox"/>		
Third party management	<input type="checkbox"/>		

**18.1 | For this establishment in particular, the company established a partnership with how many companies?**

455

**18.2 | Please specify the type of partner(s).**

Nationality		Size	
Portuguese	<input type="checkbox"/>	Micro and small enterprise	<input type="checkbox"/>
	<input type="checkbox"/>	Medium enterprise	<input type="checkbox"/>
Other countries	<input type="checkbox"/>	Big enterprise	<input type="checkbox"/>
Business area		Type	
Tourism	<input type="checkbox"/>	Private company	<input type="checkbox"/>
Other areas	<input type="checkbox"/>	Public entity	<input type="checkbox"/>

**18.3 | What are the main motives to investment with a partner?**

1ª	
2ª	
3ª	

**18.4 | If you did not have partner, the company would have invested?**

No	<input type="checkbox"/>
Yes, but the investment would have been smaller	<input type="checkbox"/>
Yes, the investment would have been the same	<input type="checkbox"/>

**19 | What were the main motives to invest in this location?**

1ª	
2ª	
3ª	

**20 | What are the main difficulties felt by the company?**

1ª	
2ª	
3ª	



21 | What are the establishment's main competitive factors in that destination?

1ª

---

2ª

---

3ª

---

22 | Overall, how do you assess the investment?

Excellent

☐

Good

☐

Regular

☐

Bad

☐

Terrible

☐

Não sabe/Não responde

☐

456

23.1 | Did the company receive/will receive public incentives from Portuguese national authorities?

No

☐

Yes

☐

23.2. Which incentive scheme did you use?

23.3. the company would have invested without those incentives?

No

☐

Yes, the investment would have been lower

☐

Yes, but the investment would have been the same

☐

24 | Did the company benefit/will benefit from local incentives?

No

☐

Yes

☐

(If you replied yes, please state what type of incentive)

Thank you very much for your collaboration!



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# appendix 8

questionnaire to future  
international ventures of  
Portuguese international firms  
in the hotel sector



Este questionário faz parte de um projecto de investigação realizado na Universidade de Aveiro. Tem por objectivo identificar os padrões de investimento Português no estrangeiro na área da hotelaria. Solicitamos que colabore nesta investigação - a sua participação é essencial para o sucesso deste trabalho! Agradecemos que dispensasse alguns minutos do seu tempo para responder às questões seguintes. **Todas as respostas serão tratadas de forma confidencial.**

## PARTE A | Estabelecimento hoteleiro

459

### 1 | Designação

### 2 | Tipo de alojamento

Hotel ☐ Hotel-apartamento ☐ Estalagem ☐ Pensão ☐ Pousada ☐  
Motel ☐ Aldeamento turístico ☐ Apartamento turístico ☐ Moradia turística ☐  
Outro ☐ Qual? \_\_\_\_\_

### 3 | Categoria

5 estrelas ☐ 4 estrelas ☐ 3 estrelas ☐ 2 estrelas ☐ 1 estrela ☐  
Outra ☐ Qual? \_\_\_\_\_

### 4 | Ano de abertura (estimativa)

### 5 | Localização

Localidade \_\_\_\_\_ Província/Estado/Distrito \_\_\_\_\_ País \_\_\_\_\_

### 6 | Capacidade total do estabelecimento hoteleiro \_\_\_\_\_ Quartos → \_\_\_\_\_ Camas

### 7 | Facilities

(Por favor escolha as opções que se aplicam a cada caso.)

#### Quartos

(Caso o estabelecimento tenha diferentes tipos de quartos, por favor escolha apenas as opções que se aplicam à maioria deles.)

AC ☐ Casa de banho ☐  
TV ☐ Telefone ☐

#### Áreas comuns

Bar <input type="checkbox"/>	Estacionamento <input type="checkbox"/>	Sala de reuniões <input type="checkbox"/>
Restaurante <input type="checkbox"/>	Spa <input type="checkbox"/>	Centro de convenções <input type="checkbox"/>
Piscina <input type="checkbox"/>	Ginásio <input type="checkbox"/>	Centro de negócios <input type="checkbox"/>
Campo de golfe <input type="checkbox"/>	Actividades desportivas <input type="checkbox"/>	Casino <input type="checkbox"/>
Lavandaria <input type="checkbox"/>	Lojas <input type="checkbox"/>	Entretenimento <input type="checkbox"/>
Outros(s) <input type="checkbox"/>	(Por favor especifique) _____	





8 | Número total de empregados (valor aproximado) \_\_\_\_\_

9 | Investimento total da empresa (valor aproximado) \_\_\_\_\_ Euros

## PARTE B | **Motivações e condicionantes do processo de internacionalização**

10 | A ideia de investimento surgiu... (pode assinalar mais do que uma opção).

- ...por iniciativa da empresa. ☐
- ...por sugestão de amigos/familiares. ☐
- ...através de contactos pessoais dentro da rede de negócios onde a empresa se insere. ☐
- ...por convite/proposta de uma empresa do país de destino. ☐
- ...por convite/proposta de uma empresa portuguesa já instalada nesse mercado. ☐
- ...por convite/proposta de uma empresa estrangeira já instalada nesse mercado. ☐
- ...por convite/proposta de uma empresa portuguesa que se queria instalar nesse mercado. ☐
- ...por convite/proposta de uma empresa estrangeira que se queria instalar nesse mercado. ☐
- Outro(s) Qual(is)? \_\_\_\_\_ ☐

11 | Qual o grau de conhecimento do mercado?

Muito alto	Alto	Médio	Baixo	Muito baixo	Não sabe/Não responde
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

11.1 | A empresa adquiriu conhecimento do mercado através de... (pode assinalar mais do que uma opção).

- ...experiência prévia da empresa no país de destino. ☐
- ...relações pessoais. ☐
- ...vivência internacional da gestão. ☐
- ...estudos de mercado. ☐
- ...experiência internacional do grupo nesse mercado. ☐
- ...relações anteriores com empresas desse país. ☐
- ...relações anteriores com empresas Portugueses com experiência nesse país. ☐
- ...relações anteriores com empresas estrangeiros com experiência nesse país. ☐
- ...outro(s). Qual(is)? \_\_\_\_\_ ☐

11.2 | Qual deles foi mais importante?

\_\_\_\_\_

**12 | Por favor indique o tipo de investimento.**Investimento de raiz ☐

Aquisição

Total ☐Parcial ☐Contrato de exploração ☐**13 | Por favor indique a forma de operação.**Propriedade integral ☐*Joint Venture* ☐Contrato de aluguer ☐Contrato de gestão ☐Franchising ☐Gestão contratada a terceiros ☐**(por favor passe para a pergunta 15)**

Qual a percentagem da empresa no capital? \_\_\_\_\_ %

461

**13.1 | Para este empreendimento em particular, a empresa estabeleceu parceira(s) com quantas empresas?** \_\_\_\_\_**13.2 | Por favor assinale o tipo de parceiro(s).**

Nacionalidade

Portuguesa ☐País de destino ☐Outro país ☐

Ramo de actividade

Turismo ☐Outra actividade ☐

Dimensão

Micro empresa ☐Pequena ou média empresa ☐Grande empresa ☐

Tipo

Empresa privada ☐Entidade pública ☐**13.3 | Quais os motivos que levaram a empresa a investir com parceiro?**

1ª \_\_\_\_\_

2ª \_\_\_\_\_

3ª \_\_\_\_\_

**13.4 | Caso não tivesse parceiro(s) a empresa teria investido?**Não ☐Sim, mas o investimento teria sido inferior ☐Sim, o investimento teria sido o mesmo ☐**14 | Quais as motivos que levaram a empresa a investir neste destino?**

1ª \_\_\_\_\_

2ª \_\_\_\_\_

3ª \_\_\_\_\_



15 | Quais as principais dificuldades sentidas pela empresa até ao momento?

1ª

---

2ª

---

3ª

---

16 | Quais os factores mais importantes para a competitividade do estabelecimento hoteleiro neste destino?

1ª

---

2ª

---

3ª

---

462

17.1 | A empresa recebeu/vai receber incentivos públicos das autoridades portuguesas para investir?

Não ☐ Sim ☐

23.2. Qual(is) o(s) sistema(s) de incentivos que utilizou? \_\_\_\_\_

23.3. A empresa teria investido sem esses incentivos?

Não

☐

Sim, mas o investimento teria sido inferior

☐

Sim, o investimento teria sido o mesmo

☐

18 | Beneficiou/irá beneficiar de incentivos locais de apoio ao investimento?

Não ☐ Sim ☐ (Se respondeu sim, por favor indique que tipo de incentivos)

---



---

Muito obrigada pela sua colaboração!



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## PART A | ESTABLISHMENT

463

1 | Name \_\_\_\_\_

2 | Type

Hotel	<input type="checkbox"/>	Hotel-apartament	<input type="checkbox"/>	Inn	<input type="checkbox"/>	B&B	<input type="checkbox"/>	Pousada	<input type="checkbox"/>
Motel	<input type="checkbox"/>	Resort	<input type="checkbox"/>	Apartment	<input type="checkbox"/>	Villa	<input type="checkbox"/>		<input type="checkbox"/>
Other	<input type="checkbox"/>	Qual?	_____						

3 | Category

5 star ☐      4 star ☐      3 star ☐      2 star ☐      1 star ☐  
 Other ☐ Which? \_\_\_\_\_

4 | Opening year (estimate) \_\_\_\_\_

5 | Location

Local

Province/Estate

Country

6 | Total capacity of the establishment \_\_\_\_\_

Rooms → \_\_\_\_\_ Bed

7 | Facilities

(Please select the options that apply to each case.)

Rooms

(in case the establishment has different types of rooms, please select only the options that apply to the majority of them)

AC ☐ Bathroom ☐  
 TV ☐ Telephone ☐

Common areas

Bar	<input type="checkbox"/>	Parking	<input type="checkbox"/>	Business room	<input type="checkbox"/>
Restaurant	<input type="checkbox"/>	Spa	<input type="checkbox"/>	Convention centre	<input type="checkbox"/>
Swimming pool	<input type="checkbox"/>	Gymnasium	<input type="checkbox"/>	Business centre	<input type="checkbox"/>
Golf course	<input type="checkbox"/>	Sport activities	<input type="checkbox"/>	Casino	<input type="checkbox"/>
Laundry	<input type="checkbox"/>	Shopping arcades	<input type="checkbox"/>	Entertainment	<input type="checkbox"/>
Other(s)	<input type="checkbox"/>	(Please specify)	_____		



8 | Total number of employees (approximately) \_\_\_\_\_

9 | Company's total investment (approximately) \_\_\_\_\_

Euros

## PARTE B | Determinants and constraints in the internationalisation process

464

10 | The idea of the investment emerged... (you can select more than one option).

...by initiative of the company.

☐

...by suggestion of friends or relatives.

☐

...through personal contacts inside the business network where the company is embedded.

☐

...by invitation of a company in the host country.

☐

... by invitation of a Portuguese company already operating in the market.

☐

... by invitation of a foreign company operating in the market.

☐

... by invitation of a Portuguese company that wants to operate in the market.

☐

... by invitation of a foreign company that wants to operate in the market.

☐

Other(s) Which? \_\_\_\_\_

☐

11 | What was the market degree?

Very high

☐

High

☐

Average

☐

Low

☐

Very low

☐

Does not  
know/No reply

☐

11.1 | The company has obtained market knowledge through... (you may select more than one option).

...previous experience in the host country.

☐

...personal relationships.

☐

...international experience of the managers.

☐

...market research.

☐

...international experience of the business group in the market.

☐

...previous relationships with local companies.

☐

...previous relationships with Portuguese companies with experience in the market.

☐

...previous relationships with foreign companies with experience in the market.

☐

...outro(s). Qual(is)? \_\_\_\_\_

☐

11.2 | Which one was the most important?

\_\_\_\_\_

**12 | Please indicate what is the type of investment.**

- Greenfield ☐
- Brown field ☐
- Total ☐
- Partial ☐
- Contract ☐

**13 | Please state what is the operation type.**

- Sole venture ☐ (please go to question 21)
- Joint Venture ☐ What is the share of the company in \_\_\_\_\_ %
- Leasing contract ☐ the corporate stock?
- Management contract ☐
- Franchising ☐
- Third party management ☐

465

**13.1 |** For this establishment in particular, the company established a partnership with how many companies? \_\_\_\_\_

**13.2 | Please specify the type of partner(s).**

- | Nationality     |                          | Size                       |                          |
|-----------------|--------------------------|----------------------------|--------------------------|
| Portuguese      | <input type="checkbox"/> | Micro and small enterprise | <input type="checkbox"/> |
|                 | <input type="checkbox"/> | Medium enterprise          | <input type="checkbox"/> |
| Other countries | <input type="checkbox"/> | Big enterprise             | <input type="checkbox"/> |
| Business area   |                          | Type                       |                          |
| Tourism         | <input type="checkbox"/> | Private company            | <input type="checkbox"/> |
| Other areas     | <input type="checkbox"/> | Public entity              | <input type="checkbox"/> |

**13.3 | What are the main motives to investment with a partner?**

- 1ª \_\_\_\_\_
- 2ª \_\_\_\_\_
- 3ª \_\_\_\_\_

**13.4 | If you did not have partner, the company would have invested?**

- No ☐
- Yes, but the investment would have been smaller ☐
- Yes, the investment would have been the same ☐

**14 | What were the main motives to invest in this location?**

- 1ª \_\_\_\_\_
- 2ª \_\_\_\_\_
- 3ª \_\_\_\_\_



15 | What are the main difficulties felt by the company?

1ª

---

2ª

---

3ª

---

16 | What are the establishment's main competitive factors in that destination?

1ª

---

2ª

---

3ª

---

466

17.1 | Did the company receive/will receive public incentives from Portuguese national authorities?

No ☐ Yes ☐

17.2. Which incentive scheme did you use? 

---

17.3. the company would have invested without those incentives?

No

☐

Yes, the investment would have been lower

☐

Yes, but the investment would have been the same

☐

18 | Did the company benefit/will benefit from local incentives?

No ☐ Yes ☐ (If you replied yes, please state what type of incentive)

---



---

Muito obrigada pela sua colaboração!



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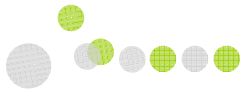
zelia@ua.pt

A decorative graphic consisting of several overlapping circles in shades of green and grey, positioned behind the title text.

# appendix 9

## criteria for classification of accommodation in Goa





## ‘A’ category (sophisticated accommodation)

**location and building** | the hotel should be located in an area suitable for the stay of upper middle class tourists having adequate parking place for vehicles, a lawn or a roof garden for the use of the guests.

**guest rooms and bath rooms** | the following amenities shall be provided in all the rooms to be occupied by the guests:

- (a) attached bath rooms with long baths, shower, running hot and cold water and adequate supply of soap, toilet paper and towels;
- (b) proper lighting and fans;
- (c) telephone (except in seasonal hotels where there should be a call in each room and a telephone connection on each floor);
- (d) a vacuum flask for drinking water;
- (e) proper furniture;
- (f) comfortable beds with foam rubber mattresses or coir mattresses;
- (g) necessary linen and blankets;
- (h) minimum carpet area standards prescribed for bath room/bedroom:

air-conditioned single .....	140 sq. ft.
non-air-conditioned single .....	160 sq. ft.
air-conditioned double .....	180 sq. ft.
non-air-conditioned double .....	220 sq. ft.
bath rooms fitted with showers .....	40 sq. ft.
bath rooms fitted with bath tub .....	40-50 sq. ft.

**public rooms** | the following facilities should be provided in the public rooms:

- (a) properly staffed reception and information counters with 24 hours service;
- (b) well-appointed lounge provisions for book stalls, money changing book, safe deposit, left luggage facilities;
- (c) adequate number of lifts (if needed);
- (d) good quality crockery, cutlery, glass-ware and linen;



- (e) clean hygienic, well equipped and well maintained kitchen and pantry with a cold storage;
- (f) provision of cloak rooms for ladies and gents separately;
- (g) bar facilities;
- (h) provisions of dance and a chamber music.

470

**service** | the following services should be made available:

- (a) hygienic and clean washing of cooking utensils, crockery and glass-ware;
- (b) provision of services of experienced and smart staff wearing clean uniform;
- (c) provision of dry cleaning and laundry services;
- (d) supervisory staff coming into contact with the guests should understand English and senior staff should possess a good knowledge of English.

## ‘B’ category (medium class accommodation)

**location and building** | the hotel should be located in an area suitable for the stay of middle income group tourists.

**guest rooms and bath rooms** | the following amenities should be provided in all the rooms to be occupied by the guests:

- (a) attached bath rooms with running hot and cold water, showers, proper sanitary fittings and adequate supply of toilet paper and towels;
- (b) proper lighting and fans;
- (c) 40% of the beds can be in big rooms with 5 to 10 beds;
- (d) proper furniture and comfortable beds with foam mattresses;
- (e) general telephone;
- (f) call-bell in each room;
- (g) minimum carpet area standards prescribed for bath room/bedroom:
 

single .....	110 sq. ft.
double .....	168 sq. ft.
bath rooms .....	40 sq. ft.



**service** | the following should be made available:

- (a) provision of hygienic washing of utensils, crockery, cutlery and glass-ware;
- (b) provision of laundry services;
- (c) provision of smart and experienced staff wearing clean uniforms;
- (d) senior staff coming into contact with the guests should possess working knowledge of English;
- (e) a clean hygienic kitchen well-equipped and well-maintained with pantry;
- (f) reception counter with telephone facilities.

471

## ‘C’ category (economy class accommodation)

**location and building** | suitable location and building to cater to lower income group tourists.

**guest rooms** | the following amenities should be provided in all the rooms to be occupied by the guests:

- (a) the rooms should have capacity ranging from two to ten beds. In case of floor accommodation the number should not exceed 50 in any one room/hall;
- (b) there must be common sanitary fitted lavatories and bath rooms fitted with running water, separately for ladies and gents, one each for 6 beds;
- (c) rooms should be properly ventilated, furnished and lighted;
- (d) fans should be provided in all rooms;
- (e) proper furniture and comfortable beds with foam mattresses;
- (f) a common restaurant;
- (g) minimum carpet area standards prescribed for bath room/bedroom – 40 sq. ft. for each bed and 28 sq. ft. in case of floor accommodation.

**service** | the following service should be provided:

- (a) clean crockery, outlay and furniture;
- (b) hygienic washing of utensils under running water having regular outlet of water;



- (c) the manager and the staff should be conversant with English;
- (d) reception counter.

## ‘D’ category (paying guest accommodation)

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**location and building** | suitable location and building to cater to middle and lower income group tourists.

**guest rooms** | the following amenities should be available:

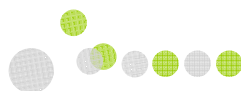
- (a) the rooms should have capacity ranging from 2 to 6 beds;
- (b) there must be adequate sanitary fittings like lavatories/bath rooms with running water, one each for 6 beds;
- (c) rooms should be properly ventilated, furnished and lighted;
- (d) fans should be provided in all rooms;
- (e) minimum carpet area standards prescribed for bath room/bedroom – 40 sq. ft. per bed.

Source: Notification 5-16/81/WET of the Tourism, Information and Transport Department published in the Official Gazette (Extraordinary), Series I N.º 52 of 30-3-1985, cited in Government of Goa, 2000

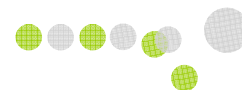


# appendix 10

general conditions for  
classification of star-rated  
hotels in India



facilities and services	category					comments
	1 star	2 star	3 star	4 star	5 star / 5 star D	
general						
primarily transient, full time operations, 7 days week in season	N	N	N	N	N	maximum 10 percent rooms for commercial use in hotel block or as per local law at least one room equipped for the physically challenged
establishment to have all necessary trading licenses	N	N	N	N	N	these documents are detailed in the General Terms and Conditions
establishment to have public liability insurance	D	D	D	D	D	Public liability insurances to be specified at a minimum of INR 5 crores
24 hour-lift for buildings higher than ground plus two floors	N	N	N	N	N	mandatory for new hotels. Local laws may require a relaxation of this condition easy access for physically challenged persons.
bedrooms, bathrooms, public areas and kitchens fully serviced daily	N	N	N	N	N	
all floor services clean and in good repair	N	N	N	N	N	floors may be of any type
guest rooms						
minimum 10 lettable rooms, all with outside window/ventilation	N	N	N	N	N	
minimum size of bedroom excluding bathroom in sq. ft	120	120	140	140	200	single occupancy rooms may be 20 sq. ft. less
air-conditioning (percentage of total number of rooms to be air-conditioned)	25%	25%	50%	100%	100%	air-conditioning/heating depends on climacteric conditions and architecture room temperature should be between 20 and 28 degrees Celsius for 4, 5 and 5D hotels
a clean change of bed and bath linen daily and between check-ins.	N	N	N	N	N	Hotels may have a guest triggered system. For 1 and 2 star hotels on alternate days. Definitely require between each check-in.
minimum bed width for single (90cm) and double (135 cm)	D	N	N	N	N	
mattress minimum 10 cm thick	D	D	N	N	N	coir, foam or spring. Foam covered, if cotton
minimum bedding: two sheets, pillow and case, blanket, mattress protector/bed cover	N	N	N	N	N	Blankets available in A/C rooms and as per seasonal requirement in non A/C rooms mattress protector is desirable in 1 and 2 star hotels, necessary for others
sufficient lighting, one per bed	N	N	N	N	N	
a 5 amp. earthed socket	N	N	N	N	N	
a bed side table and drawer	N	N	N	N	N	one per two twins and two for a double bed
TV with remote – cable if available			N	N	N	
a writing surface with sufficient lighting			N	N	N	
chairs	N	N	N	N	N	preferable one per bedding



facilities and services	category					comments
	1 star	2 star	3 star	4 star	5 star / 5 star D	
guest rooms (cont.)						
wardrobe with minimum four clothes hangers per bedding	N	N	N	N	N	in 1 and 2 star hotels, these may be without doors
shelves or drawer space	N	N	N	N	N	
a wastepaper basket	N	N	N	N	N	contents must conform to local laws
opaque curtains or screening at all windows	N	N	N	N	N	
drinking water and one glass tumbler per guest	N	N	N	N	N	
a mirror, at least half length (3')	N	N	N	N	N	
a stationery folder with stationery and envelopes	D	D	N	N	N	
in-room safe					N	2 percent of room block with a minimum of 1
mini bar / fridge					N	
iron and ironing board on request				N	N	
suites				N	N	
bathrooms						
percentage of rooms with dedicated (private) bathrooms with room	25%	75%	100%	100%	100%	dedicated bathrooms need not be attached but must have private access
minimum size of bathroom (in sq. ft.)	30	30	36	36	45	25 percent of bathrooms in 1 and 2 star hotels must be western style WC
communal bathrooms on some floor as rooms for 1 and 2 star hotels, access not through public area, kitchen, etc.	N	N	NA	NA	NA	all bathrooms, shower stalls lockable toilet area to have sanitary bin with lid
one bath towel and one hand towel to be provided per guest	N	N	N	N	N	if no attached/dedicated bath, to be provided in room
one WC brush per towel seat	N	N				
guest toiletries to be provided; minimum one new soap per guest	N	N	N	N	N	where bathroom is not attached, toiletries to be provided in room
a clothes hook in each shower/bathroom	N	N	N	N	N	
a sanitary bin	N	N	N	N	N	in communal bathrooms these must have a cover
each western WC toilet to have seat and lid, toilet paper	N	N	N	N	N	
floors and walls to have non-porous surfaces	N	N	N	N	N	
hot and cold running water for 24 hours	D	D	N	N	N	
shower closet	N	N	N	N	N	
bath tubs				D	D	bath tubes waste water in some 4 star hotels and above, some rooms should offer this option



facilities and services	category					comments
	1 star	2 star	3 star	4 star	5 star / 5 star D	
bathrooms (cont.)						
water saving taps/shower					N	
energy saving lighting	N	N	N	N	N	in public areas
bottled toiletry products	D	D	D	N	N	
hair dryers	D	D	D	N	N	where not provided in bathroom, must be available on request
public areas						
a lounge or seating in the lobby area	N	N	N	N	N	size would depend on check-in pattern
reception facility or means to call attention	N	N	N	N	N	manned minimum 16 hours a day; call services 24 hours
accommodation, F&B and other tariffs available	N	N	N	N	N	to be displayed in room
heating/cooling to be provided in enclosed public rooms				N	N	temperatures to be between 20-28 degrees Celsius
public rest rooms for ladies and gents with soap and clean towels, a wash basin with running hot and cold water, a mirror, a sanitary bin with lid in unisex and ladies toilet	N	N	N	N	N	in 1 and 2 star hotels, rest rooms may e unisex (4 star hotels and above should have facility for physically challenged persons)
public guestrooms to have low height urinal (max.24")	N	N	N	N	N	
ramps with anti-slip floors and handrails at the entrance; minimum door width should be 32" to allow wheelchair access and other facilities for the physically challenged	D	D	D	N	N	wheelchair access with suitable table in at least one restaurant
facilities for aurally/visually handicapped	D	D	D	D	D	
food and beverage						
early morning beverage service	N	N	N	N	N	this may be room service or self making facility
dining room serving breakfast and dinner	D	N	N	N	N	meal times to be displayed service to start by 7 am and finish no earlier than 10 pm minimum one hour per meal service breakfast may be continental 1 star hotel without dining room must offer service in rooms
multi cuisine restaurant on premises	D	D	N	N	N	
speciality restaurant			D	N	N	
24 hours coffee shop			D	N	N	
full service of all three meals in dining room	D	D	N	N	N	
a cooked breakfast be available	D	D	N	N	N	
room service of full meals				N	N	in 1 star hotels this is necessary if no dining room 3 star hotels must offer light (pre-plated) meals





facilities and services	category					comments
	1 star	2 star	3 star	4 star	5 star / 5 star D	
food and beverage (cont.)						
room service of alcoholic beverages				N	N	if permitted by local law
crockery and glassware unchipped	N	N	N	N	N	plastic ware accepted in pool area
cutlery to be at least stainless steel	N	N	N	N	N	plastic ware accepted in pool area
silver ware				N	N	necessary in 5 star deluxe hotels' speciality restaurants only
bar						if permitted by local law
kitchens						
refrigerator with deep freeze	N	N	N	N	N	capacity based on size of F&B service
segregated storage of meat, fish and vegetables	N	N	N	N	N	meat and fish in freezers vegetables to be separate
separate chopping boards for meat, fish, vegetables, etc.	N	N	N	N	N	different coloured boards may be used for meat, fish, vegetables, etc.
tiled walls and non-slip floors	N	N	N	N	N	
head covering for production staff	N	N	N	N	N	
daily germicidal cleaning of floors	N	N	N	N	N	
clean utensils	N	N	N	N	N	
6 monthly medical check for production staff	N	N	N	N	N	
all food grade equipment, containers	N	N	N	N	N	
ventilation system	N	N	N	N	N	
first aid training for all kitchen staff	N	N	N	N	N	
drinking water	N	N	N	N	N	water treated with UV + filtration is acceptable
garbage to be segregated - wet and dry	N	N	N	N	N	to encourage recycling
wet garbage area to be air-conditioned			N	N	N	
receiving and stores to be clean and distinct from garbage area	N	N	N	N	N	
staff quality						
staff uniform for front of the house	N	N	N	N	N	uniforms to be clean and in good repair
front office staff English speaking			N	N	N	may be relaxed outside the 8 metros /sub metros
percentage of staff with minimum one year certificate course from Government recognised catering/hotel institutes	10%	15%	20%	25%	30%	this may be relaxed for hotels in rural, pilgrim and hill areas
staff welfare facilities						
staff rest rooms	D	D	N	N	N	



facilities and services	category					comments
	1 star	2 star	3 star	4 star	5 star / 5 star D	
staff welfare facilities (cont.)						
staff locker rooms	D	D	N	N	N	
toilet facilities	N	N	N	N	N	
dining area	D	D	D	N	N	
guest services						
valet (pressing) services to be available	D	N	N	N	N	
laundry and dry-cleaning service to be provided	D	D	N	N	N	service can be next day in resort destinations, hill, rural and pilgrim areas, dry-cleaning services may be relaxed
paid transportation on call				N	N	guest should be able to travel from hotel
shoe cleaning service			N	N	N	may be charged shoe cleaning are acceptable in corridors for 4, 5 and 5 star deluxe hotels
ice (from drinking water) on demand	D	D	N	N	N	ice machines accessible to guests are acceptable May be placed in corridors for 4, 5 and 5 star deluxe hotels
acceptance of common credit cards	D	D	N	N	N	
assistance with luggage on request	N	N	N	N	N	
a public telephone on premises; unit charges made known	D	D	N	N	N	there should be at least one telephone no higher than 24” from floor level in 5 star and 5 star deluxe hotels
wake-up call services on request	N	N	N	N	N	
messages fro guests to be recorded and delivered	N	N	N	N	N	a prominently displayed message will suffice for 1 and 2 star hotels
name, address and telephone numbers of doctors with front desk	N	N	N	N	N	doctors on call in 3, 4, 5 and 5 star deluxe hotels
stamps and mailing facilities	D	D	N	N	N	
newspaper available	N	N	N	N	N	these may be in the lounge for 1, 2 and 3 star hotels
access to travel desk facilities	N	N	N	N	N	need not be on premises for 1 to 3 star hotels
left luggage facilities	D	D	N	N	N	this must be in a lockable room / 24 hour staffed area
provision for emergency supplies – toiletries / first aid kit	D	D	N	N	N	this may be a chargeable item
health / fitness facilities	D	D	D	D	N	Indian system of treatment should be preferably offered
beauty saloon and barbers shop				D	N	
florist				D	D	
shop / kiosk	D	D	N	N	N	news stand, toiletries, novelties, games in resorts
money changing facilities	D	D	D	N	N	
desk shop	D	D	D	N	N	



facilities and services	category					comments
	1 star	2 star	3 star	4 star	5 star / 5 star D	
safety and security						
staff trained in fire fighting drill	N	N	N	N	N	quarterly drill or as per law
security arrangements for all hotel entrances	N	N	N	N	N	
each bedroom door fitted with lock and key, viewport / peephole and internal securing device			N	N	N	a safety chain / wishbone latch is acceptable in place of viewpoint / peephole
safekeeping facilities available	N	N	N	N	N	
smoke detectors	N	N	N	N	N	these can be battery operated
fire / emergency procedure notices displayed in rooms behind door	N	N	N	N	N	
fire and emergency alarms should have visual and audible signals	N	N	N	N	N	
fire exit signs on guest floors with emergency power	D	D	N	N	N	
staff trained in first aid	D	D	N	N	N	CPR/chocking and regular first aid
first aid kit with over the counter medicines with front desk	N	N	N	N	N	
communication facilities						
a telephone for incoming and outgoing calls in the room	D	N	N	N	N	4, 5 and 5 star deluxe hotels should have direct dial and STD/ISD facilities 1, 2 and 3 star hotels may go through exchange
PC available for guest use with internet access	D	D	N	N	N	this can be a paid service up to 3 star hotels, PC can be in executive offices internet subject to local access being available
email service	D	D	N	N	N	subject to local internet access being available
fax and photocopy service	N	N	N	N	N	
in-room internet connection / data port	D	D	D	D	N	subject to local internet access being available
business centre	D	D	D	N	N	this should be a dedicated area; in resort destinations tourist and pilgrim centres may be relaxed
swimming pool			D	D	N	this can be relaxed for hill stations
parking facilities	D	D	N	N	N	should be adequate in relation to the number of rooms and banquet/convention hall capabilities exclusively earmarked accessible parking nearest to the entrance for physically challenged persons
Conference facilities			D	D	D	

Source: Government of India (n.a. b)

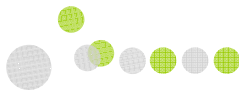
Note: D – desirable; N – necessary; NA – not applicable



# appendix

11

Portuguese outward foreign  
direct invest flows,  
1996-2008



**FDI - gross investment**  
**1996 - 2008**



SECTOR OF ACTIVITY (resident company)	1996	% Tot	1997	% Tot	1998	% Tot	1999	% Tot	2000	% Tot	2001	% Tot	2002	% Tot
Agriculture, hunting, forestry and fishing	1	0.1	590	0.0	3.181	0.0	1.332	0.0	4.906	0.0	4.699	0.0	3.899	0.0
Extractive industries	2	0.2	0	0.0	100	0.0	5	0.0	138	0.0	14	0.0	0	0.0
Manufacturing industries	76	8.0	91.813	4.1	101.818	1.1	207.531	2.0	462.934	3.3	251.009	1.9	221.454	1.9
Production and distribution of electricity, gas and water	251	26.3	5.995	0.3	647.973	6.8	15.958	0.2	10.092	0.1	18.872	0.1	32.723	0.3
Construction	7	0.7	18.043	0.7	42.772	0.5	67.222	0.7	79.027	0.6	40.114	0.3	38.969	0.3
Wholesale and retail trade, rep., hotels and restaurants	22	2.3	120.786	5.4	53.488	0.6	107.601	1.1	118.195	0.8	3.220.791	24.1	113.637	1.0
Transport, warehousing and communications	10	1.0	197.004	8.8	35.785	0.4	47.781	0.5	46.865	0.3	88.980	0.7	90.798	0.8
Financial activities	163	17.1	527.990	23.5	422.649	4.5	483.824	4.7	1.740.346	12.4	2.792.345	20.9	2.024.465	17.4
Real estate, renting and business services	332	34.8	1.218.433	54.2	8.070.548	85.3	9.066.070	88.8	11.409.416	81.5	6.864.095	51.3	9.016.233	77.6
Other activities	91	9.5	67.510	3.0	84.236	0.9	208.089	2.0	130.168	0.9	103.239	0.8	69.466	0.6
<b>TOTAL</b>	<b>955</b>	<b>100.0</b>	<b>2.246.164,2</b>	<b>100.0</b>	<b>9.462.550,0</b>	<b>100.0</b>	<b>10.205.413,0</b>	<b>100.0</b>	<b>14.002.087,0</b>	<b>100.0</b>	<b>13.384.155,0</b>	<b>100.0</b>	<b>11.611.644,2</b>	<b>100.0</b>

SECTOR OF ACTIVITY (resident company)	2003	% Tot	2004	% Tot	2005	% Tot	2006	% Tot	2007	% Tot	2008	% Tot
Agriculture, hunting, forestry and fishing	4.466	0.0	1.045	0.0	4.226	0.0	662	0.0	1.191	0.0	9.178	0.1
Extractive industries	900	0.0	0	0.0	70	0.0	0	0.0	1.000	0.0	180	0.0
Manufacturing industries	376.452	3.7	473.624	4.0	872.424	8.9	237.321	2.4	742.735	6.0	694.483	6.9
Production and distribution of electricity, gas and water	22.767	0.2	4.522	0.0	34.506	0.4	8.690	0.1	11.746	0.1	19.898	0.2
Construction	45.692	0.5	45.680	0.4	127.628	1.3	238.469	2.4	259.847	2.1	531.900	5.3
Wholesale and retail trade, rep., hotels and restaurants	116.715	1.2	702.119	5.9	1.128.808	11.5	342.293	3.5	325.025	2.6	560.328	5.5
Transport, warehousing and communications	27.723	0.3	14.846	0.1	8.828	0.1	7.371	0.1	13.468	0.1	28.216	0.3
Financial activities	345.436	3.4	813.250	6.8	1.184.231	12.1	2.281.579	23.2	1.223.718	9.9	1.071.000	10.6
Real estate, renting and business services	9.059.874	89.8	9.757.850	81.6	6.231.741	63.7	6.496.598	66.1	9.476.202	76.8	6.897.830	68.3
Other activities	93.189	0.9	138.862	1.2	188.226	1.9	210.788	2.1	281.723	2.3	285.469	2.8
<b>TOTAL</b>	<b>10.093.214</b>	<b>100.0</b>	<b>11.951.798</b>	<b>100.0</b>	<b>9.780.688</b>	<b>100.0</b>	<b>9.823.771</b>	<b>100.0</b>	<b>12.336.655</b>	<b>100.0</b>	<b>10.098.482</b>	<b>100.0</b>

Source: Banco de Portugal  
Unit: Thousand Euros

Agência para o Investimento e Comércio Externo de Portugal, E.P.E. (AICEP)

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## FDI - net investment 1996-2008

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SECTOR OF ACTIVITY (resident company)	1996	1997	1998	1999	2000	2001
Agriculture, hunting, forestry and fishing	1.141	-1.564	-180	1.057	4.625	3.738
Extractive industries	1.560	-10.020	-16.196	-7	45	14
Manufacturing industries	71.028	71.453	74.294	122.126	388.625	121.808
Production and distribution of electricity, gas and water	224.604	-8.818	621.817	12.680	1.673	3.340
Construction	1.567	9.427	42.077	60.749	61.773	19.743
Wholesale and retail trade, rep., hotels and restaurants	13.064	117.361	36.515	76.817	91.075	3.166.829
Transport, warehousing and communications	4.159	193.848	15.925	11.788	34.903	-9.044
Financial activities	84.519	408.239	193.174	-786.450	576.253	389.029
Real estate, renting and business services	153.103	1.004.280	2.700.494	3.300.600	7.632.820	3.249.297
Other activities	5.816	43.599	-47.977	196.116	34.763	52.550
<b>TOTAL</b>	<b>560.561</b>	<b>1.827.805</b>	<b>3.619.943</b>	<b>2.995.476</b>	<b>8.826.555</b>	<b>6.997.304</b>

SECTOR OF ACTIVITY (resident company)	2002	2003	2004	2005	2006	2007
Agriculture, hunting, forestry and fishing	3.070	3.663	-444	3.125	-453	376
Extractive industries	0	900	-1000	70	0	255
Manufacturing industries	24.208	229.365	-48601	604.449	97.383	225.904
Production and distribution of electricity, gas and water	4.575	2.207	-53282	-11.523	-380	3.165
Construction	-22.347	7.173	21022	1.840	29.063	-402.967
Wholesale and retail trade, rep., hotels and restaurants	-3.075.264	60.814	386640	854.206	231.926	173.008
Transport, warehousing and communications	72.374	-9.794	-19163	-12.651	-3.123	-18.165
Financial activities	811.396	35.987	310440	797.327	1.706.478	385.989
Real estate, renting and business services	1.985.631	5.460.695	5325905	-633.547	3.341.088	4.066.047
Other activities	37.986	42.041	80822	94.196	154.690	108.778
<b>TOTAL</b>	<b>-158.371</b>	<b>5.833.051</b>	<b>6002339</b>	<b>1.697.492</b>	<b>5.556.672</b>	<b>4.542.390</b>

SECTOR OF ACTIVITY (resident company)	2008
Agriculture, hunting, forestry and fishing	5.507
Extractive industries	180
Manufacturing industries	445.064
Production and distribution of electricity, gas and water	-79.372
Construction	-724.093
Wholesale and retail trade, rep., hotels and restaurants	293.269
Transport, warehousing and communications	71.000
Financial activities	-17.364
Real estate, renting and business services	1.339.725
Other activities	103.027
<b>TOTAL</b>	<b>1.436.943</b>

Source: Banco de Portugal  
Unit: Thousand Euros

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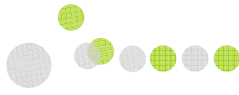




# appendix

12

empirical studies on the  
internationalisation of the  
Portuguese economy

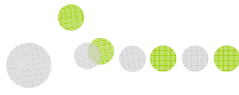


author	year of the study	type of study	industry focus	firm size	geographical focus	entry modes	methodology	population/sample	response rate
Brito, 2001	2001	master dissertation	several	big-sized	Brazil	FDI	secondary data analysis and case study approach	1	*
<b>main objectives</b> To verify tendencies that support bilateral direct investment between Portugal and Brazil.									
<b>main results</b> The main determinants of Portuguese investment in Brazil are market dimension, market growth potential, and cultural and linguistic proximity. The importance of local partners is emphasised.									
Caldeira, 1998	1998	master dissertation	several	big-sized	several	FDI	case study	30	*
<b>main objectives</b> To analyse Portuguese direct investment overseas during the 1990s.									
<b>main results</b> To expand internationally their activities, the majority of firms selected countries that were cultural and geographically proximate. Production relocation is mainly directed at developing countries due to comparative advantages of labour cost. The internationalisation of commercial activities is mainly done in European Union countries. There is a predominance of brown field investments in the form of joint-ventures.									
Costa, 2003	2001	PhD thesis	several	any type	Brazil	FDI	questionnaire	147	49,6%
<b>main objectives</b> To identify the main internationalisation determinants of Portuguese companies, namely in Brazil, and to determine the importance of cultural proximity in the internationalisation process.									
<b>main results</b> The main motivation to internationalise is the need to grow and the reduced dimension of the domestic market. The size of the Brazilian market and its growth potential also constitute an important determinant. There is evidence that cultural proximity influence the internationalisation process.									
Crespo, 2002	2002	master dissertation	mould	any type	several	several	case study	8	*
<b>main objectives</b> To identify internationalisation determinants, strategies and approaches.									
<b>main results</b> The internationalisation of enterprises through FDI mainly results from the need to follow or be closer to customers, as well as to create partnerships with them. The main problems are differences in business culture, human resources, bureaucracy and taxation.									



author	year of the study	type of study	industry focus	firm size	geographical focus	entry modes	methodology	population/sample	response rate
Crespo, 2004	2004	master dissertation	manufacturing, transport, commerce, construction and business support services	medium-sized	several	several	questionnaire	1.503	17,1%
<p><b>main objectives</b> To identify specific characteristics of firms that might influence its international involvement.</p> <p><b>main results</b> The number of workers, the ability to develop products, the objective of growth oriented towards international positioning and the type of industry influence positively the intensity of the international activity.</p>									
Dias, 2007	2007	master dissertation	machinery and tools	SME	several	export	case study	1	*
<p><b>main objectives</b> To verify if factors such as brands, products and alliances are crucial to the success of international growth and expansion.</p> <p><b>main results</b> The main motives for internationalization are technological advantage, desire to grow, saturation of the domestic market, risk reduction through geographical diversification, and cultural and linguistic affinities. The mode of initial entry is direct export. The policy of product is central to firms' growth.</p>									
Fernandes, 1999	1998	master dissertation	ceramics	employees + > 100.000 MEsc annual turnover	several	several	questionnaire and interview	89	33%
<p><b>main objectives</b> To analyse the internationalisation process of Portuguese ceramic firms, to identify forms of entry in external markets, and the main motivations and difficulties.</p> <p><b>main results</b> Exports are the main form of entry into international markets, which is done in a gradual and cautious way. The EU countries are the main markets, Spain being the place par excellence for the installation of subsidiaries abroad. Firm size influences the process of internationalisation, which is mainly triggered by the desire to grow, market limitations, the need to diversify the risk and to use the available capacity. Competition and the poor image of domestic products are the main factors hindering the process of internationalisation.</p>									

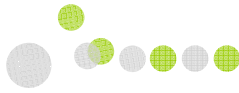




author	year of the study	type of study	industry focus	firm size	geographical focus	entry modes	methodology	population/sample	response rate
<b>Fernandes, 2006</b>	2005	master dissertation	several	big-sized	several	alliances	case study	10	*
<p><b>main objectives</b> To identify the main forms of international alliances and the main criteria to select strategic partners.</p> <p><b>main results</b> The study unveils the importance of market access, cultural proximity, existence of financial resources and cost reduction in processes and learning. Companies establish close ties with former partners, partners of the partners and all other actors in their close circle of influence. Companies seek partners that are comparable in size and holding similar positions on the network.</p>									
<b>Ferreira, 2000</b>	1998	master dissertation	civil construction	big-sized	several	several	case study	6	*
<p><b>main objectives</b> To analyze the state-of-art and specificities of the internationalization process of big firms of the construction sector.</p> <p><b>main results</b> The activities of large construction firms are poorly internationalised. These firms prefer mainly Portuguese speaking countries to internationalise. Partnerships, especially with local firms, are the preferred form of entry in external markets. Firm size is not a deterrent to internationalisation. External markets are seen as an alternative to overcome downturns in the domestic market and not as a strategic goal per se. Partnerships, especially with local firms, are the preferred form of entry in external markets.</p>									
<b>Ferreira, 2005</b>	NA	PhD thesis	several	SMEs	several	export	case study	4	*
<p><b>main objectives</b> To analyse the factors that restrict the formation and development of export networks, which are seen as strategic instruments for the promotion of competitiveness of Portuguese SMEs.</p> <p><b>main results</b> There is a reduced incidence for inter-firm cooperation among Portuguese SMEs. Regardless public incentives for the development of cooperation networks, firms only involve actively if they decide that it is a way to help them to overcome difficulties when they intend to export. Networks would not have existed if there was not an institutional organization aiming to promote inter-firm cooperation. It was identified that firms benefit from cooperative networks by sharing experiences, extending their network of contacts, creating communication bounds, developing teamwork-related competencies, and acquiring additional knowledge about target markets.</p>									
<b>Fonseca, 2001</b>	2001	master dissertation	telecommunications	big-sized	Brazil	FDI	secondary data analysis and case study approach	1	*
<p><b>main objectives</b> To analyse Portuguese FDI flows to Brazil and to find explanatory reasons for it.</p> <p><b>main results</b> The main internationalisation determinants are the need to grow, limitations on the domestic market, external market size, and cultural, historical and linguistic proximity. The main difficulties are bureaucracy, tax law, double taxation of income, labour legislation, corporate mentality and cultural differences.</p>									

author	year of the study	type of study	industry focus	firm size	geographical focus	entry modes	methodology	population/sample	response rate
Guerra, 1990	1990	PhD thesis	automotive	any type	several	several	secondary data analysis	NA	NA
<b>main objectives</b>	To identify determinants and forms of investment in external markets.								
<b>main results</b>	External markets are seen as an alternative to overcome downturns in the domestic market and not as a strategic goal per se. Partnerships, especially with local firms, are the preferred form of entry in external markets.								
Ilhéu, 2006	2004	PhD thesis	several	any type	China	several	questionnaire and interview	111	46,8%
<b>main objectives</b>	To identify opportunities, difficulties and risks for Portuguese enterprises operating in the Chinese market, and to identify the factors that condition the strategic behaviour of these firms.								
<b>main results</b>	Market reasons are what mainly draw firms to China. Except the desire to increase profits, firms do not have internal motivations. The main difficulties are market fragmentation, high levels of competition and poor marketing infrastructures. Risks relate basically with lack of transparency in political and legal systems, cultural distance, lack of networking, corruption, and disrespect for intellectual property rights.								
Jerónimo, 2003	2003	master dissertation	manufacturing	SME	several	several	case study	19	*
<b>main objectives</b>	To explore the role of information technology in manufacturing SMEs of Castelo Branco and its potential for the internationalisation of the company.								
<b>main results</b>	Internationalisation still does not constitute a key factor in devising a strategy to use IT. The main motivations for internationalisation are company growth, small size of the domestic market, available production capacity, and reaction to crashes in the market. The main difficulties are the identification and contact with new customers, and the geographical distance. The main entry modes are direct and indirect export, and subsidiaries.								
Lorga, 2002	2002	master dissertation	crystal ware	NA	United States	sales subsidiary	case study	1	*
<b>main objectives</b>	To analyze the role of networks in the internationalisation process.								
<b>main results</b>	Network cooperation was essential to reduce the risks inherent to internationalisation.								
Lúis, 2004	2004	master dissertation	several	SME	several	export	questionnaire and interview	800	9%
<b>main objectives</b>	To identify the relationship between entrepreneurship and the main motivations and barriers in the internationalisation process.								
<b>main results</b>	The incipient internationalisation process of Portuguese companies reveals that for lower levels of entrepreneurship, the lack of networking rises in importance as a barrier, since a good network of contacts facilitates the access to information.								

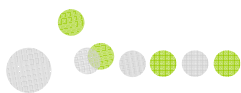




author	year of the study	type of study	industry focus	firm size	geographical focus	entry modes	methodology	population/sample	response rate
<b>Magriço, 2000</b>	1999	PhD thesis	several	any type	several	alliances	questionnaire	2,835	15,3%
<b>main objectives</b>	To analyse the inclusion of Portuguese companies in international alliances, their cooperation behaviour with foreign firms and its implication to the internationalisation of the Portuguese economy.								
<b>main results</b>	International alliances involving Portuguese firms are more frequent than expected. Joint ventures are the preferred form of alliance. Alliances are not exclusive of certain industry sectors. The nationality of partners is very diversified.								
<b>Martins, 2005</b>	2005	master dissertation	several	any type	Poland	FDI	questionnaire	25	28%
<b>main objectives</b>	To identify the main determinants of Portuguese direct investment in Poland, type of investment and entry modes.								
<b>main results</b>	Market size is an important determinant for FDI, including the size of the target market and its growth potential, and additionally, albeit not as much important, the size of the domestic market. The type of investment points to the dominance of greenfield projects.								
<b>Mendonça, Farto, Ribeiro, Dias, &amp; Romão, 2001</b>	2000	research project	several	any type	Brazil	FDI	questionnaire	n.a.	n.a.
<b>main objectives</b>	To analyse the Portuguese investment in Brazil, in particular its distribution by industry sector and by type of operation, as well as the factors that lead companies to invest in this market.								
<b>main results</b>	The majority of enterprises are wholly-owned subsidiaries and the rest are joint ventures with local firms. Generally speaking, there were no investment incentives. There is a clear preference to invest in the south/southeast of the country. The main determinants are the common language, cultural factors, market size and growth potential. The main problems are bureaucracy, weak market knowledge, political and economic instability, and tax issues.								
<b>Ramos, 1995</b>	1995	master dissertation	wool	big-sized	several	export	case study	1	*
<b>main objectives</b>	To evaluate the relationship between the strategies of the firm and the internationalisation process.								
<b>main results</b>	The company's strategy was to seek new markets with new products, particularly the countries with lower prices and cheaper labour-.								
<b>Ramos, 2003</b>	2003	master dissertation	garment	any type	several	several	case study	2	*
<b>main objectives</b>	To compare and contribute to the dynamics of internationalisation of corporate clothing industry in the world context.								
<b>main results</b>	Firms are increasingly shifting their production due to cost increases of the factors of production.								

author	year of the study	type of study	industry focus	firm size	geographical focus	entry modes	methodology	population/sample	response rate
Raposo, 1994	1992	PhD thesis	textile	any type	several	export	questionnaire	340	36%
<p><b>main objectives</b> To study international involvement patterns of textile firms.</p> <p>The internationalisation of textile firms lies in the line of thought that defends the internationalisation of enterprises as a strategic decision. Exporting and non-exporting firms can be distinguished based on a set of characteristics inherent to the companies: exporters have higher levels of capital, employees and turnover. Their leaders have greater propensity to take risks, to travel and to seek information about other countries. Socio-demographic characteristics of the leaders have little or no influence on the decision to export. Motives to export are mainly proactive, namely the diversification of markets, the goals of the firm and hindrances in the domestic market. Firms have a passive attitude while approaching external markets, since the majority of them export only in response to requests of foreign costumers.</p> <p><b>main results</b></p>									
Silva, 1993	1993	master dissertation	mould	any type	several	several	interview	14	100%
<p><b>main objectives</b> To identify and characterise internationalisation strategies of enterprises operating in the mould sector, their positioning and competitive advantages in relation to international competition.</p> <p><b>main results</b> No main conclusions.</p>									
Soares, n.a.	NA	working paper	several	any type	Brazil	FDI	secondary data analysis and questionnaire	84	60,7%
<p><b>main objectives</b> To analyze the recent phenomenon of Portuguese direct investment in Ceará (Brazil) and to relate it to the phenomenon of 'psychic distance'.</p> <p>The existence of cultural ties, especially the language, facilitated the Portuguese investment in Ceará. The survey provided further evidence that tourism was an important vehicle for attracting investments by allowing Portuguese entrepreneurs a first contact with the region. It was also possible to identify hasty and unsuccessful investments led by some Portuguese entrepreneurs and companies, who underestimated the differences between the two countries, suggesting a reflection based on the paradox of 'psychic distance'.</p> <p><b>main results</b></p>									
Soares, Zourabichvili, & Ipiranga, 2005	NA	working paper	several	big-sized	Brazil	FDI	case study	3	*
<p><b>main objectives</b> To analyse the Portuguese direct investment (PDI) in Ceará, namely the importance of entrepreneurs, the establishment of relationships in personal networks, and the influence of the political actors in these networks.</p> <p>The survey showed the influence of knowledge, experience, market potential and industrial structure in the process of internationalisation. It is clear the importance of the establishment of relationships between firms and markets, the establishment of inter-organisational and international networks, the influence of political actors in these networks and the role of entrepreneurial skills of investors and local partners. The internationalisation of Portuguese enterprises in Ceará also showed the influence of cultural, linguistic and historical factors.</p> <p><b>main results</b></p>									





author	year of the study	type of study	industry focus	firm size	geographical focus	entry modes	methodology	population/sample	response rate
Viana, 2006	2002	PhD thesis	ceramics	any type	several	several	interview questionnaire	19 155	100% 57,42%
<b>main objectives</b> NA									
<b>main results</b> The main destinations of exports are European and American markets. Firms access to foreign markets by direct and indirect exports, through importers or agents. The internationalization process seems to be incremental. The geographical proximity seems to be important in the market choice process. Firms cooperate, even in a limited way, to better internationalize.									

\* not applicable  
NA – not available